

**Office of the Auditor General**  
Performance Audit Report

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**Michigan Youth Challenge Academy**  
Department of Military and Veterans Affairs

May 2015

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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.**

*Article IV, Section 53 of the Michigan Constitution*

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### *Performance Audit*

**Report Number:**  
511-0300-14

### *Michigan Youth Challenge Academy*

### *Department of Military and Veterans Affairs*

**Released:**  
May 2015

Under Michigan's agreement with the National Guard Bureau, the Department of Military and Veterans Affairs (DMVA) establishes, organizes, and administers the Michigan Youth Challenge Academy (MYCA) program. MYCA provides military-based training, education, and supervised working experience through community service to produce program graduates with the values, skills, education, and self-discipline to succeed as adults.

Audit Objective			Conclusion
Objective #1: To assess the effectiveness of DMVA's efforts in evaluating the MYCA program.			Not effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MYCA needs to establish a comprehensive process to monitor and evaluate program effectiveness, including assessments of program strengths, weaknesses, and needs. MYCA lacked documentation for 64% of core component tasks and lacked tracking and documentation of individual cadet and total class progress at key intervals ( <b>Finding #1</b> ).	X		Agrees
MYCA had not safeguarded or properly accounted for cash received from cadets' families and various fund-raising activities, increasing the risk for fraud, waste, and abuse. MYCA lacked documentation for the disposition of \$86,250 ( <b>Finding #2</b> ).	X		Agrees
MYCA needs to establish minimum expectations to ensure that all cadets uniformly complete each core component task. MYCA could not ensure that all cadets fulfilled the intent and spirit of each task ( <b>Finding #3</b> ).		X	Agrees
MYCA needs to improve its oversight of food services provided to cadets. Male cadets did not receive the recommended daily calories ( <b>Finding #4</b> ).		X	Agrees

<b>Findings Related to This Audit Objective (Continued)</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
MYCA did not monitor the activities and responsibilities of its educational services provider. The services provider did not relinquish \$119,000 of excess funds and funded a position not covered under the contract ( <u>Finding #5</u> ).		X	Agrees

<b>Audit Objective</b>			<b>Conclusion</b>
Objective #2: To assess MYCA's compliance with the National Youth Challenge agreement.			Did not comply
<b>Findings Related to This Audit Objective</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
MYCA was not staffed to effectively administer the program, fulfill the mandates of the cooperative agreement, and protect the safety of cadets and staff. MYCA employed staff at only 67% of the minimum required staffing level ( <u>Finding #6</u> ).	X		Agrees
MYCA did not provide required staff training to help ensure that risks to the program, as well as to the cadets, were minimized. A majority of MYCA employees lacked first year training and all MYCA employees lacked function-specific training ( <u>Finding #7</u> ).	X		Agrees

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>

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

May 14, 2015

Major General Gregory J. Vadnais, Director  
Department of Military and Veterans Affairs  
3411 North Martin Luther King Jr. Boulevard  
Lansing, Michigan

Dear General Vadnais:

I am pleased to provide this performance audit report on the Michigan Youth Challenge Academy, Department of Military and Veterans Affairs.

We organized the background, findings, and recommendations 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 submit it within 60 days of the date above to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Doug Ringler  
Auditor General



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# BACKGROUND, FINDINGS, AND RECOMMENDATIONS

# EVALUATING THE MICHIGAN YOUTH CHALLENGE ACADEMY (MYCA) PROGRAM

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## BACKGROUND

The National Youth Challenge Program is authorized by Title 32, section 509 of the *United States Code* and designed to provide opportunities to male and female adolescents who have dropped out of school but demonstrate a desire to improve their potential for successful and productive lives.

Under Michigan's cooperative agreement with the National Guard Bureau (NGB), the Governor of the State, through the Adjutant General\* of the Department of Military and Veterans Affairs (DMVA), establishes, organizes, and administers MYCA located on the campus of the Battle Creek Veterans Affairs Medical Center.

MYCA's residential phase\* is based on a quasi-military educational model\*. The framework used during the residential phase of the program consists of eight core components: academic excellence, responsible citizenship, physical fitness, community service, job skills, leadership/followership, life coping skills, and health and hygiene. During the residential phase, each cadet is matched with a mentor from his/her local community. After the cadet graduates, the mentor provides support, guidance, and direction for the graduate\* during the yearlong post-residential phase\* of the program.

## AUDIT OBJECTIVE

To assess the effectiveness\* of DMVA's efforts in evaluating the MYCA program.

## CONCLUSION

Not effective.

## FACTORS IMPACTING CONCLUSION

- Material conditions\* related to:
  - Lack of evaluation of overall program effectiveness.
  - Lack of safeguarding and accounting for cash received.
- Reportable conditions\* related to:
  - Lack of minimum expectations for core component tasks.
  - Lack of food service oversight.
  - Lack of monitoring of educational services provider.

\* See glossary at end of report for definition.

## FINDING #1

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### MYCA did not evaluate its overall effectiveness.

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MYCA needs to establish a comprehensive process to monitor and evaluate program effectiveness, including assessments of program strengths, weaknesses, and needs. Because MYCA impacts the lives of troubled adolescents and expended \$3.6 million and \$3.9 million in fiscal years 2013 and 2014, respectively, it is imperative that MYCA be able to demonstrate the value this program brings to Michigan citizens and the cadets served.

Performance measurement is an essential tool for managing the quality and costs of services. An effective performance measurement process collects and assesses data and compares results against a performance standard\*, such as what is desired, past occurrences, or other like agencies' performance. Performance measures\* should be clearly defined with regard to what is being measured, the data sources that will be used, and how often data will be collected. Data should be collected and used at regular intervals to assess performance; measure progress toward achieving program goals\* and objectives\*; and consider actions, such as policy or operational changes. Thus, a performance measurement process can be used to develop recommendations to improve effectiveness and efficiency\* or change the desired performance standards or goals.

MYCA measured educational outcomes\*, such as cadet success on the general educational development (GED) test and improvements in reading and mathematics skills achieved during the five-month residential phase as measured by adult basic education test results. Also, MYCA tracked cadet performance related to placement, including military, school, and employment, for one year after cadet graduation and reported on cadet performance related to academic excellence, responsible citizenship, physical fitness, and community service to NGB.

However, our review of available performance documentation for 50 judgmentally selected cadet graduates for the five class cycles from January 2012 through June 2014 noted:

- a. MYCA did not have documentation that cadet graduates completed 1,091 (64%) of the 1,700 core component tasks. On average, the cadet graduates completed 11 of the 34 tasks, ranging from 1 to 21 tasks per cadet. As a result, MYCA could not ensure that cadets met all graduation requirements or that program results reported to NGB were accurate.

The NGB agreement requires that all graduating cadets complete each core component task and that MYCA maintain supporting documentation.

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MYCA lacked documentation for 64% of core component tasks reviewed.

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\* See glossary at end of report for definition.

- b. MYCA did not utilize a data management system to monitor cadet performance and evaluate its program effectiveness.

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MYCA lacked tracking and documentation of individual cadet and total class progress at key intervals.

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The NGB agreement requires that MYCA collect and enter data into a data management system. In 2012, MYCA stopped using a system that contained procedures and scheduling, tracking, and evaluation abilities. Since then, MYCA implemented a cadet handbook to track cadets' progress toward the completion of graduation requirements. Although the handbooks provided a tool for the cadets to monitor their individual progress toward graduation, a data management system would allow MYCA to:

- Schedule tasks for cadets to ensure consistent implementation of the Youth Challenge model.
- Track progress of cadets, both individually and as a class, at key intervals throughout the class cycle to ensure that all tasks were completed timely.
- Evaluate incident reports.
- Evaluate MYCA's overall operations.

## **RECOMMENDATION**

We recommend that MYCA establish a comprehensive process to monitor and evaluate the effectiveness of its operations.

## **AGENCY PRELIMINARY RESPONSE**

MYCA provided us with the following response:

*MYCA concurs with the recommendation.*

*NGB submits an Annual Report to Congress that outlines performance metrics by state. Effective January 12, 2015, MYCA adopted these metrics as its measurements for future program effectiveness.*

*The new director has a solid training and operations background and has initiated appropriate management controls to ensure adequate documentation of individual cadet and class progress.*

*The program will undergo two NGB assistance visits during the 3rd quarter of 2015 to assess evaluation systems in preparation for NGB CORE Inspection in January 2016.*

## FINDING #2

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### MYCA did not safeguard and account for cash received.

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MYCA had not safeguarded or properly accounted for cash received from cadets' families and various fund-raising activities, increasing the risk for fraud, waste, and abuse. Although we did not specifically identify inappropriate use of these funds, MYCA was unable to provide documentation that it expended the funds in accordance with the purposes for which MYCA collected the money.

The Management and Budget Act (Section 18.1485 of the *Michigan Compiled Laws*) requires DMVA to maintain an internal accounting and administrative control system, including a system of authorization and recordkeeping procedures, to control assets. This encompasses the establishment of procedures and the retention of records to ensure that MYCA maintains a verifiable and auditable trail of all transactions. Also, MYCA Standard Operating Procedure 22, dated January 1, 2008, requires MYCA staff to secure monies received from cadets, document activity with a receipt, and balance out the cadets' accounts at the time of drop, dismissal, or graduation.

MYCA collected \$100 from each incoming cadet's family to assist with the cadet's incidental expenses, such as medical bills and copayments, testing fees, transportation costs, and postage. Throughout our audit, we received conflicting information from MYCA management regarding the nature and disposition of the funds collected, including:

- Unused funds were returned to the cadets upon dismissal or graduation.
- Funds were used for end-of-cycle events and activities, including the purchase of sweatshirts to commemorate the cadets' MYCA experience.
- Unused funds were nonrefundable.

In addition, through interviews with various MYCA staff and MYCA contractual student council teacher advisors, we determined that MYCA held various student council fund-raising activities and collected funds totaling approximately \$21,000 for classes held between January 2012 and June 2013. MYCA staff informed us that these funds were submitted to MYCA management for end-of-cycle activities, including sweatshirts to commemorate the cadets' MYCA experience.

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MYCA lacked documentation for the disposition of \$86,250.

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We reviewed the limited documentation available related to \$86,250 of cadet funds and fund-raising revenue that MYCA collected for five class cycles from January 2012 through June 2014 and noted:

- a. MYCA did not retain documentation to support the disposition of the collected funds.

- b. As of September 9, 2014, we reconciled within \$29 of the \$15,213 of cadet funds received from cadets' families for the class cycle July 2014 through December 2014. However, we noted the following control weaknesses:
- MYCA did not deposit cadet funds but kept them in its safe.
  - Multiple MYCA staff had access to this safe.
  - MYCA did not account for the funds by individual cadet.
  - MYCA did not reconcile the funds periodically.

We performed another reconciliation of these cadet funds as of January 15, 2015. At this time, MYCA maintained the funds separately by cadet and locked them in a desk with limited access. However, MYCA did not have documentation to account for the disposition of funds totaling \$1,324. Also, because MYCA used only \$2,700 (18%) of the \$15,213 for cadets' incidentals, MYCA should evaluate the need to collect funds from cadets' families.

- c. For the fund-raising revenues, MYCA management stated that it was not aware of any fund-raising activities and that it had not received any funds from fund-raising activities. However, we obtained documentation for various fund-raising activities confirming that the activities did occur and that funds of \$2,900 were raised, received, and signed for by MYCA management.

## **RECOMMENDATION**

We recommend that MYCA safeguard and properly account for cash received from cadets' families and various fund-raising activities.

## **AGENCY PRELIMINARY RESPONSE**

MYCA provided us with the following response:

*MYCA concurs with the recommendation.*

*Effective January 5, 2015, MYCA no longer accepts cash from cadets' families for incidentals or medical copayments. All remaining funds from the previous cadet class were accounted for and refunds issued to families.*

### **FINDING #3**

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**MYCA had not established minimum expectations for core component tasks.**

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MYCA could not ensure that all cadets fulfilled the intent and spirit of each task.

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MYCA needs to establish minimum expectations to ensure that all cadets uniformly complete each core component task.

The NGB agreement identified 8 core components and 34 related tasks required for cadet graduation. Also, the agreement required MYCA to develop curriculum for the systematic completion and evaluation of each task.

MYCA staff informed us that cadets were evaluated using inconsistent and often vague or undocumented performance measures. For example:

- Cadets from previous graduating classes completed an entire Junior Achievement course to learn basic banking skills (savings and checking account management). However, MYCA staff allowed recent cadets to merely complete a blank check to demonstrate mastery of these skills.
- MYCA staff indicated that cadets could have been given a "nonapplicable" status in lieu of a passing score for certain tasks. However, MYCA did not have criteria to indicate whether nonapplicable was acceptable or how many were allowable.

Without minimum expectations, MYCA could not ensure that all cadets uniformly fulfilled the intent and spirit of all 34 tasks.

As noted in Finding #7, MYCA did not provide sufficient training to staff to carry out their duties and ensure consistent evaluation of cadet performance in completing core component tasks.

### **RECOMMENDATION**

We recommend that MYCA establish minimum expectations to ensure that all cadets uniformly complete each task for all core components.

### **AGENCY PRELIMINARY RESPONSE**

MYCA provided us with the following response:

*MYCA concurs with the recommendation.*

*The new task organization creates a position within the current funding model to plan, resource, track, and document all training to include the completion of each of the 8-core component tasks.*

## FINDING #4

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### MYCA needs to improve food service oversight.

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Male cadets did not receive the recommended daily calories.

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MYCA did not perform quarterly reviews of food service operations.

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MYCA needs to improve its oversight of food services provided to cadets.

MYCA contracted to provide meals for cadets during the residential phase of the program. The food service contract requires the contractor to fulfill or exceed the recommended dietary allowances set forth by the U.S. Department of Agriculture's (USDA's) Dietary Guidelines for Americans.

Our review of MYCA's food service operations noted:

- a. MYCA did not provide male cadets with the recommended daily calories and did not provide male or female cadets with a consistent level of calories throughout the day.

According to the USDA's Dietary Guidelines for Americans, the recommended calorie intake for active adolescent males is 3,200. However, based on our review of MYCA's menu schedules, including calorie counts for each meal for May, August, and November 2014, MYCA provided male cadets with an average of only 2,740 calories per day.

- b. MYCA did not properly monitor the contractor's services.

The food service contract requires an annual service review for evaluating the overall performance of the contractor, as well as quarterly reviews of the food service operations, including:

- Quality of services.
- Menu or food concerns.
- Inspection reports submitted by regulatory agencies.
- Physical inspection of the contractor's kitchen, MYCA's dining facility, or any other space used by the contractor.

From October 1, 2011 through December 31, 2014, MYCA did not perform an annual service review or any of the quarterly reviews of food service operations.

## RECOMMENDATION

We recommend that MYCA improve its oversight of food services provided to cadets.

## AGENCY PRELIMINARY RESPONSE

MYCA provided us with the following response:

*MYCA concurs with the recommendation.*



*MYCA is now meeting with the food service contractor and a food service representative from Marshall Public Schools (MPS) on a monthly basis. Additionally, MYCA has a food service board composed of the contractor, the MPS food service representative, cadets, and the MYCA Logistics Officer to discuss and improve MYCA food services. The current food service contract operates under the National School Lunch Program for breakfast and lunch. The requirements for calories under this program are lower than the recommended daily calories of the USDA's Dietary Guidelines for active adolescent males. MYCA is working with DMVA contracting and the contractor to augment the existing contract and provide an additional food serving to ensure that all cadets are receiving the USDA recommended calories.*

## **FINDING #5**

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### **MYCA did not monitor its educational services provider.**

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MYCA did not obtain excess FTE funds of \$119,000 from its educational services provider.

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MYCA funded a noninstructional position not covered under contract.

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MYCA did not monitor the activities and responsibilities of its educational services provider. The services provider did not relinquish excess funds of \$119,000 for the fiscal year ended June 30, 2014, and it funded a noninstructional position not covered under the contract.

Beginning in July 2013, MYCA contracted with Marshall Public Schools (MPS) for the delivery of educational services to MYCA cadets, including classroom instruction at the academy and vocational training at the Calhoun Area Technology Center. Also, MPS provided transportation services to the Center, as well as for community projects and other MYCA scheduled events. Further, MPS serves as the fiscal agent for MYCA academic funding, receiving funds from the Michigan Department of Education and the U.S. Department of Education. The contract allows MPS to retain the full-time equivalency (FTE) funds in accordance with the district's per pupil foundation allowance to cover the cost of services. The contract requires MPS to relinquish any excess FTE funds to DMVA or, in the event that FTE funds do not fully cover MPS costs, the State is required to reimburse MPS for its actual costs of meeting its contractual obligations. In addition, the contract requires that MPS submit a monthly financial report to MYCA, including a detailed breakdown of expenditures by category.

We reviewed MYCA's operations related to the MPS contract and determined:

- a. MYCA did not retain a copy of the MPS contract and, therefore, could not monitor activities for compliance.
- b. MYCA did not request, nor did it receive, the required monthly reports from MPS for the 15-month period from August 2013 through November 2014. Therefore, MYCA was unaware of the status of its educational budget and could not make informed decisions regarding the ability to purchase classroom enhancements or initiate improvements. Also, MYCA was unable to assess any potential liability to the State, should MPS expenses exceed available revenues.

We obtained a categorized financial report from MPS showing a surplus of approximately \$119,000 for MPS's fiscal year ended June 30, 2014. However, none of the surplus was relinquished to DMVA as required by the contract.

- c. MYCA informally agreed to fund an MPS noninstructional position that was not covered under the contract.

Beginning July 1, 2014, MPS provided an analyst to MYCA, ostensibly to evaluate MYCA and assist with securing additional funding through private grants. Although DMVA management informed us that it had agreed to fund the MPS position in fiscal year 2015 with fiscal year 2014 surplus FTE funds, MYCA neither amended the existing contract nor initiated a separate contract for this service.

**RECOMMENDATION**

We recommend that MYCA monitor the activities and responsibilities of its educational services provider.

**AGENCY  
PRELIMINARY  
RESPONSE**

MYCA provided us with the following response:

*MYCA concurs with the recommendation.*

*MYCA and MPS have now established a meeting schedule to address the requirements of the contract as well as review educational support and quarterly fiscal reviews.*

## **COMPLIANCE WITH NATIONAL YOUTH CHALLENGE AGREEMENT**

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### **BACKGROUND**

NGB, as authorized by the Secretary of Defense, and the Michigan Adjutant General entered into a cooperative agreement applicable to funding, performance activities, State obligations, and specific operational instructions for the National Youth ChalleNGe Program.

### **AUDIT OBJECTIVE**

To assess MYCA's compliance with the National Youth ChalleNGe agreement.

### **CONCLUSION**

Did not comply.

### **FACTORS IMPACTING CONCLUSION**

- Material conditions related to:
  - Lack of staffing to effectively administer the MYCA program.
  - Lack of required training for MYCA staff.

## FINDING #6

### MYCA staffing levels caused ineffective administration of the program.

MYCA employed staff at only 67% of the minimum required staffing level.

MYCA was not staffed to effectively administer the program, fulfill the mandates of the cooperative agreement, and protect the safety of cadets and staff.

The NGB agreement specifies staffing levels based on the total number of cadets enrolled. With the goal of 114 cadets per class cycle, the agreement identifies an optimal staffing of 73 and a required minimum staffing of 54. However, MYCA employed only an average of 36 staff between October 1, 2011 and February 1, 2015, a reflection of its available budget.

MYCA staff consist of management and administrative support; cadre supervisors and aides; and recruitment, placement, and mentoring (RPM) staff. The cadre supervisors and aides continuously oversee cadets during their residency by providing instruction and guidance in the areas of personal hygiene; uniform care and maintenance; and compliance with policies, rules, and regulations in a structured setting. RPM staff provide training to cadets, parents, and mentors during the cadets' residential phase and monitor cadets' progress during post-residential services for a year after graduation. The follow-up includes determining if the cadet is in school, is employed, or has entered military service and if the mentor is actively engaged with the cadet. RPM staff are thus monitoring cadets from three class cycles at any given time.

Our review of MYCA staffing levels disclosed:

- a. MYCA did not operate with the required number of staff as follows:

<u>Positions</u>	<u>Required Staff Per NGB Agreement</u>	<u>Actual Staff</u>
Instructors	6	6
Counselors	4	0
Case manager	8	0
Cadre team leader	26	16

- b. MYCA did not adequately staff the program with cadre supervisors and aides to ensure the completion of scheduled community service and vocational education activities. MYCA staff informed us that there were occasions when staffing levels were below required minimum levels and community service events had to be

canceled. Our analysis, based on a judgmental sample of 11 two-week pay periods comprising 154 days, identified:

- Only one or two employees were present on third shift during 85 (55%) days to direct, manage, and monitor the three platoons.
  - Only three employees were present on second shift during 16 (10%) days to direct, manage, and monitor the three platoons. The second shift is when cadets were regularly scheduled to attend vocational education activities. We observed two occasions when required staffing levels were not sufficient, vocational education activities had to be canceled, and waiting buses were sent away empty.
- c. MYCA management frequently shuffled three employees' assignments, resulting in as many as five different positions for these employees over the three-year period from January 2012 through December 2014. While most appointments did not include changes in pay, this practice led to a lack of transparency, trust, employee morale, and teamwork within the program, while reducing consistency and competency in overall program performance.
- d. MYCA's employee turnover rate reached 60% during the period January 2012 through December 2014, primarily among cadre staff, because of:
- Low staffing ratios (noted in part a).
  - Lack of employee training (noted in Finding #7).
  - Low overall staff morale (noted in part c).
- e. MYCA did not properly monitor employee personnel activity by requiring each employee's supervisor to review and approve biweekly time submitted in the Data Collection and Distribution System (DCDS).

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MYCA's staff turnover rate was 60%.

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DCDS Procedures Manual section 5.2.1 requires mandatory supervisory approval of time sheets.

We reviewed employees' immediate supervisors and payroll activity in DCDS for all employees charging time during 11 judgmentally selected pay periods for a total of 374 time sheets:

- Twenty-nine (8%) time sheets did not have supervisory approval.
- Sixty-six (18%) time sheets did not have an immediate supervisor on record.

- Nineteen (5%) time sheets were approved by a person other than the employee's supervisor.
- Thirty (8%) time sheets were not entered by the employee, although all regular work hours were recorded.
- Seventy-one (19%) time sheets were approved three weeks to seven weeks after the end of the pay period.

**RECOMMENDATION**

We recommend that MYCA comply with the cooperative agreement by providing proper staffing levels and effectively overseeing staff.

**AGENCY  
PRELIMINARY  
RESPONSE**

MYCA provided us with the following response:

*MYCA concurs with the recommendation.*

*DMVA leadership is aware of discrepancies between State staffing recommendations and the Youth Challenge positions that are approved via the cooperative agreement between NGB and DMVA. Similarly, NGB is aware that its funding formula, which allows for a certain number of personnel to be hired, has not been increased in over 10 years and that its staffing paradigm does not meet the needs of the Youth Challenge programs for all 54 states and territories. DMVA will work diligently with the State of Michigan to strike a balance between the staffing needs of the Youth Challenge program and the amount of federal and state funding that is currently available.*

*Furthermore, MYCA is required by state government with MPS to recruit 144 cadets per class. Prior to February 2015, MYCA recruited more cadets than the mission required for each class, with the awareness that a number of cadets would drop out of the program. To further mitigate the staff shortfall, MYCA will recruit only 144 cadets commencing with Class #33, starting July 19, 2015.*

## FINDING #7

**Lack of required staff training heightened risk to the program and cadets.**

88% of MYCA employees lacked first year training.

100% of MYCA employees lacked function-specific training within their second year of employment.

MYCA did not provide required staff training to help ensure that risks to the program, as well as to the cadets, were minimized.

The NGB agreement requires program staff (cadre, RPM, instructors, supervisors, etc.) to attend the basic training course within the first year of hire and to complete their function-specific course within the first two years of hire and subsequently every three years. MYCA is responsible for ensuring that program directors and staff attend all authorized and approved NGB-funded training. This training provides a foundation to ensure full indoctrination of the program's philosophy, methodology, policies, and procedures so that staff can fully articulate and implement the quasi-military educational model. Also, MYCA policy requires that all staff complete a biennial Red Cross cardiopulmonary resuscitation (CPR) training.

We reviewed 37 training records for employees who were employed from October 1, 2011 through September 1, 2014. MYCA did not document the performance of basic, function-specific, and Red Cross CPR training:

- Seven (88%) of eight new MYCA employees did not complete any training within their first year of employment. Four (57%) of seven attended training one to two months late.
- Ten (100%) of 10 MYCA employees did not complete the required function-specific training within two years of employment.
- Twenty-one (100%) of 21 MYCA employees did not complete the required three-year interval position-specific training. The training was overdue by 1 to 10 years.
- Twenty-three (62%) of the 37 MYCA employees did not complete any Red Cross CPR training.
- Thirty-three (100%) of 33 MYCA employees, employed as of September 1, 2014, were not Red Cross CPR certified.

MYCA management informed us that new cadre staff job shadow current staff for 1 to 2 weeks before they are placed on the floor to manage cadets on their own. However, there was no standard training regimen in place.

## RECOMMENDATION

We recommend that MYCA provide the required training to its staff to help ensure that risks to the program, as well as to the cadets, are minimized.



**AGENCY  
PRELIMINARY  
RESPONSE**

MYCA provided us with the following response:

*MYCA concurs with the recommendation.*

*MYCA changed its task organization and hired a training management coordinator. Under the new MYCA task organization, the training officer is responsible for planning, executing, and documenting staff training. The training officer attended a "Train the Trainer" course, provided by NGB in February 2015.*

*The new Director and Deputy Director of MYCA attended Youth Challenge Director Leaders Training provided by NGB in February 2015.*

*MYCA established and is now executing a training plan for the staff and cadre for the remainder of fiscal year 2015 that includes required training for cadre and function area training for the staff.*

*This past quarter, the MYCA team held a series of sessions to improve and document process improvement with an emphasis on training management and documentation.*

## PROGRAM DESCRIPTION

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Through a cooperative agreement between NGB and the State, DMVA administers MYCA, located on the campus of the Battle Creek Veterans Affairs Medical Center. MYCA provides military-based training, education, and supervised working experience through community service to produce program graduates with the values, skills, education, and self-discipline to succeed as adults. Sixteen- to eighteen-year-old male and female high school dropouts are eligible to apply for the 17-month program, which includes a 5-month residential phase followed by a 12-month mentoring phase. The voluntary program requires that participants be free of criminal activity, drug-free, and unemployed.

The U.S. Department of Defense provides 75% of total funding, while the State provides 25%. Total program expenditures for fiscal year 2014 were \$3.9 million. As of February 1, 2015, the program had 32 full-time equated employees.

## AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

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### AUDIT SCOPE

Our audit scope was to examine the program and other records of the Michigan Youth Challenge Academy. We conducted this performance audit\* in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered the period October 1, 2011 through December 31, 2014.

### METHODOLOGY

We conducted a preliminary survey to gain an understanding of the program to establish our audit objectives and methodology. Our preliminary survey included:

- Interviews with MYCA management and staff regarding MYCA functions and responsibilities.
- Examination of MYCA processes and records.
- On-site observation of residential facilities and activities.
- Review of applicable laws, appropriations acts, and policies and procedures.
- Review of the cooperative agreement between NGB and DMVA.
- Review of recruiting operating procedures and activities.
- Review of post-residential services.
- Review of MYCA program records, data, and statistics to obtain an understanding of MYCA operational activities and internal control\*.
- Examination of the Challenge Operational Resource and Evaluation report.

\* See glossary at end of report for definition.

## **OBJECTIVE #1**

To assess the effectiveness of DMVA's efforts in evaluating the MYCA program.

To accomplish our first objective, we:

- Interviewed key MYCA and contractual staff to obtain an understanding of processes and controls for carrying out the program.
- Reviewed records of judgmentally selected graduated cadets from five class cycles to determine if the procedures and controls operated as intended.
- Reviewed activity related to funds collected and expended by MYCA for five class cycles.
- Reviewed the food and educational service contracts to determine requirements.

## **OBJECTIVE #2**

To assess MYCA's compliance with the National Youth Challenge agreement.

To accomplish our second objective, we:

- Interviewed key MYCA management and staff and reviewed MYCA standard operating procedures related to compliance with the cooperative agreement between NGB and DMVA.
- Reviewed DCDS records within 11 two-week pay periods to determine staffing-to-cadet ratios.
- Reviewed a judgmental sample of cadet records to determine compliance with eligibility, residential, and post-residential cooperative agreement requirements.

## **CONCLUSIONS**

We based our conclusions on our audit efforts as described in the preceding paragraphs and the resulting material conditions and reportable conditions noted in the background, findings, and recommendations section. The material conditions are more severe than a reportable condition and could impair management's ability to operate effectively or could adversely affect the judgment of an interested person concerning the effectiveness of MYCA. The reportable conditions are less severe than a material condition but represent deficiencies in internal control.

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 7 findings and 7 corresponding recommendations. MYCA's preliminary response indicates that it agrees with all 7 recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion at the end of our audit 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 submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services 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**

We released our prior performance audit of the Michigan Youth Challenge Program, Department of Military and Veterans Affairs (51-300-03), in April 2004. DMVA complied with 1 of the 2 prior audit recommendations, and we rewrote the other prior audit recommendation for inclusion in Finding 1 of this audit report.

## **GLOSSARY OF ABBREVIATIONS AND TERMS**

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Adjutant General	The senior officer of the Michigan National Guard.
CPR	cardiopulmonary resuscitation.
DCDS	Data Collection and Distribution System.
DMVA	Department of Military and Veterans Affairs.
effectiveness	Success in achieving mission and goals.
efficiency	Achieving the most outputs and the most outcomes practical with the minimum amount of resources.
FTE	full-time equivalency.
goal	An intended outcome of a program or an entity to accomplish its mission.
graduate	A program participant who successfully completes the 22-week residential phase.
internal control	The plan, policies, methods, and procedures adopted by management to meet its mission, 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.
material condition	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
MPS	Marshall Public Schools.

MYCA	Michigan Youth Challenge Academy.
NGB	National Guard Bureau.
objective	Specific outcome(s) that a program or an entity seeks to achieve its goals.
outcome	An actual impact of a program or an entity.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
performance measures	A composite of key indicators of a program's or an activity's inputs, outputs, outcomes, productivity, timeliness, and/or quality. Performance measures are a means of evaluating policies and programs by measuring results against agreed upon program goals or standards.
performance standard	A desired level of output or outcome.
post-residential phase	The 12-month period immediately following graduation from the residential phase.
quasi-military educational model	The military-based structure, education, training, and discipline that characterize activities of the program.
reportable condition	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.

residential phase	The 22-week period during which program participants are residents. This phase is conducted in a quasi-military structured and disciplined environment.
RPM	recruitment, placement, and mentoring.
USDA	U.S. Department of Agriculture.









