

EXECUTIVE DIGEST

FAMILY INDEPENDENCE AGENCY

INTRODUCTION

This report contains the results of our financial audit*, including the provisions of the Single Audit Act, of the Family Independence Agency (FIA) for the period October 1, 1996 through September 30, 1998.

AUDIT PURPOSE

This financial audit of FIA was conducted as part of the constitutional responsibility of the Office of the Auditor General and is required on a biennial basis by Act 251, P.A. 1986, to satisfy the requirements of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

BACKGROUND

FIA's mission* is to help individuals and families meet financial, medical, and social needs; to assist people to become self-sufficient; and to help protect children and vulnerable adults from abuse, neglect, exploitation, and endangerment. To achieve this mission, FIA manages numerous State and federally funded programs that provide assistance and/or services to eligible recipients.

During our audit period, most of FIA staff were organized into five administrations, with the Family Independence Services and Child and Family Services Administrations having primary responsibility for establishing and

implementing most grant and service program policies. The Field Operations Administration has oversight responsibility for FIA local offices. The Administration for Budget, Analysis, and Financial Management (BAFM) is responsible for accounting and financial reporting, including the preparation and submission of federal program cost reports. BAFM also performs various budgetary, policy analysis, staffing and program evaluation, and quality control functions.

As of September 30, 1998, FIA had 12,648 employees. FIA's major funding sources are the State General Fund and the U.S. Departments of Health and Human Services and Agriculture. FIA expenditures and operating transfers out for fiscal year 1997-98 were \$3.3 billion.

AUDIT OBJECTIVES
AND CONCLUSIONS

Audit Objective: To audit FIA's financial schedules, including the schedule of expenditures of federal awards, and its Children's Trust Fund financial statements for the fiscal years ended September 30, 1998 and September 30, 1997.

Conclusion: We expressed an unqualified opinion* on FIA's financial schedules and on its Children's Trust Fund financial statements. In addition, we expressed an unqualified opinion on FIA's schedule of expenditures of federal awards, and its other supplemental financial schedules, in relation to the financial schedules taken as a whole.

Audit Objective: To assess and report on FIA's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could

have a direct and material effect on the financial schedules and statements, and on its internal control* over financial reporting, based on our audit of the financial schedules and statements.

Conclusion: Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial statements and schedules. Also, our assessment of internal control over financial reporting did not disclose any material weaknesses* . However, we identified reportable conditions* related to personnel and payroll transactions and the adoption subsidy payment system (Findings 1 and 2).

In addition, our assessment indicated that FIA was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control.

Audit Objective: To assess and report on FIA's compliance with requirements applicable to each major federal program and on its internal control over compliance in accordance with OMB Circular A-133.

Conclusion: Our assessment of compliance applicable to each major program disclosed instances of noncompliance related to noncooperation penalties and financial penalties for noncompliance with federal guidelines and regulations that are required to be reported under OMB Circular A-133 (Findings 7 and 15). Also, our assessment of internal control over

compliance applicable to each major federal program identified four material weaknesses:

- FIA local offices often did not comply with established internal control for initiating client disqualification or, ultimately, case closure when a client failed to cooperate in obtaining child support (Finding 6).

FIA agrees with the related recommendation and will comply.

- FIA child support specialists often did not comply with established internal control regarding locating absent parents and following up referrals to the prosecutor (Finding 8).

FIA agrees with the related recommendation and will comply.

- FIA local office staff frequently did not comply with established case file internal control procedures for documenting client eligibility and the propriety of payments made to or on behalf of clients (Finding 14).

FIA agrees with the related recommendation and will comply.

- FIA should improve its screening and monitoring of child care aide and relative provider applicants and enrollees (Finding 17).

FIA agreed with the previously reported recommendation and informed us that it has complied. However, FIA disagrees with the

questioned costs* and inclusion of the finding in this report.

We also identified other reportable conditions related to fixed assets, cash management, supplanting of State funds, child support participation payments, discontinuance of adoption subsidy payments, Teen Parent Program cost allocation, documentation and allowability of federally funded expenditures, federal payroll certifications, adoption subsidy payment system, and deceased recipients (Findings 3 through 5, 9 through 13, 16, and 18).

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Family Independence Agency for the period October 1, 1996 through September 30, 1998. Our audit was conducted in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

**AGENCY RESPONSES
AND PRIOR AUDIT
FOLLOW-UP**

Our audit report contains 15 findings (Findings 1 through 15) that have 16 corresponding recommendations. FIA's corrective action plan indicates that it agrees with 15 of the recommendations and disagrees with 1 recommendation. The plan also indicates that FIA has complied with 6 of the recommendations and plans to comply with the other 10. In addition, our report contains 2 findings (Findings 17 and 18) that refer to findings in other reports that have reported

questioned costs. FIA previously responded that it agreed with the corresponding recommendations and had complied with 1 and planned to comply with the other.

As disclosed in FIA's summary schedule of prior audit findings, FIA fully corrected 9 of the 17 prior Single Audit* findings and did not correct or partially corrected 8 of the audit findings.