

EXECUTIVE DIGEST

DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES

INTRODUCTION

This report contains the results of our financial audit*, including the provisions of the Single Audit Act, of the Department of Consumer and Industry Services (CIS) for the period October 1, 1997 through September 30, 1999.

AUDIT PURPOSE

This financial audit of CIS 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

CIS was established on May 15, 1996 by Executive Order 1996-2, which merged the former Department of Commerce, Department of Labor, and other licensing and regulatory agencies from the former Departments of Mental Health, Public Health, and Social Services. CIS's overall mission* is to support the health, safety, economic, and cultural well-being of the public through services to

and regulation of the activities of organizations and individuals.

The Finance and Administrative Services Bureau is responsible for the accounting and federal grant management of CIS's General Fund operations. CIS's General Fund expenditures and operating transfers were approximately \$206 million and \$203 million in fiscal years 1998-99 and 1997-98, respectively. As of September 30, 1999, CIS had 3,011 full-time employees.

AUDIT OBJECTIVES
AND CONCLUSIONS

Audit Objective: To audit CIS's financial schedules, including the schedule of expenditures of federal awards, for the fiscal years ended September 30, 1999 and September 30, 1998.

Conclusion: We expressed an unqualified opinion* on CIS's financial schedules. In addition, we expressed an unqualified opinion on CIS's supplemental financial schedules, including the schedule of expenditures of federal awards, in relation to the financial schedules taken as a whole.

Audit Objective: To assess and report on CIS'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 on its internal control* over financial reporting, based on our audit of the financial schedules.

Conclusion: Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial schedules. Also, our assessment of internal control

over financial reporting did not disclose any material weaknesses.*

In addition, our assessment indicated that CIS 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 CIS'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 federal program disclosed instances of noncompliance related to allowable activities, nursing home surveys and complaint investigations, and subrecipient monitoring that are required to be reported under OMB Circular A-133 (Findings 1 through 3). Also, our assessment of internal control over compliance applicable to each major federal program identified two material weaknesses:

- CIS's internal control did not ensure that charges made to the federal Foster Care - Title IV-E Program were for allowable activities in compliance with federal requirements (Finding 1).

CIS agreed with the corresponding recommendation and will obtain a final resolution after discussions with the Family Independence Agency and the Office of the Budget, Department of Management and Budget.

- CIS's internal control did not ensure that annual nursing home surveys and nursing home complaint investigations were completed in accordance with federal regulations (Finding 2).

CIS agreed with the corresponding recommendation and informed us that it has implemented corrective action to address the internal control weaknesses noted.

We also identified a reportable condition* related to subrecipient monitoring (Finding 3).

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Department of Consumer and Industry Services for the period October 1, 1997 through September 30, 1999. 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 3 findings and 3 corresponding recommendations. CIS's corrective action plan indicated that it agreed with the recommendations and that it had implemented or will implement all of them.

As disclosed in CIS's summary schedule of prior audit findings, CIS complied with all 3 of the prior Single Audit* recommendations.