



Michigan
Office of the Auditor General
REPORT SUMMARY

*Financial Audit
Including the Provisions of the Single Audit Act*

Report Number:
43-100-05

Department of Human Services

October 1, 2002 through September 30, 2004

Released:
December 2005

A Single Audit is designed to meet the needs of all financial report users, including an entity's federal grantor agencies. The audit determines if the financial schedules and/or financial statements are fairly presented; considers internal control over financial reporting and internal control over federal program compliance; determines compliance with State compliance requirements material to the financial schedules and/or financial statements; and assesses compliance with direct and material requirements of the major federal programs.

Financial Schedules and Financial Statements:

Auditor's Reports Issued

We issued unqualified opinions on the Department of Human Services' (DHS's) financial schedules and on the financial statements of the Children's Trust Fund.

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Internal Control Over Financial Reporting

We identified reportable conditions related to internal control over financial reporting (Findings 1 through 4). We consider Findings 1 and 4 to be material weaknesses.

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**Noncompliance or Other Matters
Material to the Financial Schedules
and/or Financial Statements**

We did not identify any instances of noncompliance or other matters applicable to the financial schedules and/or financial statements that are required to be reported under *Government Auditing Standards*. However, we did identify reportable conditions (Findings 1, 3, 4, and 17).

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Federal Awards:

Auditor's Reports Issued on Compliance

We audited 16 programs as major programs and identified known questioned costs of approximately \$34 million and known and likely questioned costs totaling \$651 million. DHS expended a total of \$5.5 billion in federal awards during the two-year period ended September 30, 2004. We issued 8 unqualified opinions, 1 qualified opinion, and 7 adverse opinions. The opinions issued by major program are identified on the back of this summary.

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Internal Control Over Major Programs

We identified reportable conditions related to internal control over major programs (Findings 4 through 6, 8 through 18, and 20 through 23). Also, we identified other reportable conditions related to internal control (Finding 7). We consider Findings 4, 8, 9, 11 through 16, and 22 to be material weaknesses. In addition, we identified 19 recommendations repeated from our prior report for the two-year period ended September 30, 2002, many of which were

also reported in earlier DHS Single Audits (Findings 7 through 9, 11 through 17, 19, and 22).

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Required Reporting of Noncompliance

We identified instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133 (Findings 5, 6, and 8 through 20).

Also, the results of our auditing procedures disclosed other instances of reportable noncompliance (Finding 7).

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Systems of Accounting and Internal Control:

We determined that DHS was in substantial compliance with Sections 18.1483 - 18.1487 of the *Michigan Compiled Laws*.

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We audited the following programs as major programs:

<u>CFDA Number</u>	<u>Program or Cluster Title</u>	<u>Compliance Opinion</u>
10.551 and 10.561	Food Stamp Cluster	Unqualified
16.523	Juvenile Accountability Incentive Block Grants	Unqualified
16.588	Violence Against Women Formula Grants	Adverse
81.042	Weatherization Assistance for Low-Income Persons	Unqualified
84.126	Rehabilitation Services: Vocational Rehabilitation Grants to States	Unqualified
93.558	Temporary Assistance for Needy Families	Adverse
93.563	Child Support Enforcement	Unqualified
93.566	Refugee and Entrant Assistance: State Administered Programs	Adverse
93.568	Low-Income Home Energy Assistance	Qualified
93.575 and 93.596	Child Care Cluster	Adverse
93.585	Social Services in Empowerment Zones and Enterprise Communities	Unqualified
93.658	Foster Care: Title IV-E	Adverse
93.659	Adoption Assistance	Adverse
93.674	Chafee Foster Care Independent Living	Adverse
93.778	Medicaid Cluster	Unqualified
96.001	Disability Insurance/SSI Cluster	Unqualified

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



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