



Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit
Selected Service-Related Contracts and
Grant Agreements
Department of Community Health (DCH)

Report Number:
391-0135-08

Released:
October 2010

DCH's delegated purchasing authority allows it to enter into contracts for services costing less than \$25,000 and grant agreements in any amount. DCH program areas develop requests for services; make initial awards; develop contracts and grant agreements, as appropriate; and monitor and evaluate contractor and grantee performance. DCH's Contract Management Section ensures that approvals are secured, funds are available, and other requirements are met. DCH had 1,713 service-related contracts and 2,441 service-related grant agreements totaling \$168.3 million and \$1.3 billion, respectively, that were included within the scope of the audit.

Audit Objective:

To assess the effectiveness of DCH's efforts to ensure that selected service-related contracts and grant agreements contained comprehensive service descriptions, detailed budgets, performance criteria, and monitoring provisions.

Audit Conclusion:

We concluded that DCH's efforts to ensure that selected service-related contracts and grant agreements contained comprehensive service descriptions, detailed budgets, performance criteria, and monitoring provisions were moderately effective. We noted two reportable conditions (Findings 1 and 2).

Reportable Conditions:

DCH needs to improve its controls for ensuring the sufficient development and timely completion of detailed performance-based service contracts and grant agreements (Finding 1).

DCH did not establish training requirements for or ensure that it provided training to its contract and grant agreement administrators (Finding 2).

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Audit Objective:

To assess the effectiveness of DCH's efforts to ensure that it awarded selected service-related contracts and grant agreements on a fair and competitive basis.

Audit Conclusion:

We concluded that DCH's efforts to ensure that it awarded selected service-related contracts and grant agreements on a fair and competitive basis were moderately effective. We noted two reportable conditions (Findings 3 and 4).

Reportable Conditions:

DCH needs to improve its controls over its contract and grant awarding processes (Finding 3).

DCH did not have effective controls for ensuring that employees involved in the selection, monitoring, and evaluation of contractors and grantees were free of conflicts of interest (Finding 4).

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Audit Objective:

To assess the effectiveness of DCH's efforts to monitor and evaluate the performance of selected contractors and grantees.

Audit Conclusion:

We concluded that DCH's efforts to monitor and evaluate the performance of selected contractors and grantees were moderately effective. We noted one reportable condition (Finding 5).

Reportable Condition:

DCH did not establish sufficient controls to ensure that its contract and grant agreement administrators sufficiently monitored and evaluated DCH's contracts and grant agreements (Finding 5).

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Agency Response:

Our audit report contains 5 findings and 5 corresponding recommendations. DCH's preliminary response indicated that it agrees with all 5 recommendations.

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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>



Michigan Office of the Auditor General
201 N. Washington Square
Lansing, Michigan 48913

Thomas H. McTavish, C.P.A.
Auditor General

Scott M. Strong, C.P.A., C.I.A.
Deputy Auditor General