



Michigan  
Office of the Auditor General  
**REPORT SUMMARY**

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

Report Number:  
431-0100-11

*Department of Human Services*

*October 1, 2008 through September 30, 2010*

Released:  
June 2011

*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 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 did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, we did identify significant deficiencies (Findings 1 and 2).

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**Noncompliance and 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 instances of other noncompliance (Findings 1 and 2).

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**Federal Awards:  
Auditor's Reports Issued on Compliance**

We audited 13 programs as major programs and identified known questioned costs of \$396.7 million. DHS expended a total of \$9.4 billion in federal awards, including \$347.2 million of ARRA funding, during the two-year period ended September 30, 2010. We issued 7 unqualified opinions, 4 qualified opinions, and 2 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 material weaknesses in internal control over federal program compliance (Findings 4 through 7, 9, 10, and 12). We also identified significant deficiencies in internal over federal program compliance (Findings 3 through 13).

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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 3 through 13).

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**Internal Accounting and Administrative Control  
System:**

Section 18.1489 of the *Michigan Compiled Laws* requires the Auditor General to evaluate the implementation of Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* and report to the Legislature in the financial audit of each department. As a result of Executive Reorganization Order No. 2007-31 (Consolidating Internal Audit Functions), in which responsibility for most of the sections was moved to the Office of Internal Audit Services, Department of Management and Budget, we have evaluated the implementation of only Section 18.1485 in this financial audit. Section 18.1485 requires each department director to establish an internal accounting and administrative control system, defines the elements of that system,

defines the duties of the department director, and provides for certain reports. We determined that DHS was in substantial compliance with Section 18.1485 of the *Michigan Compiled Laws*.

The remaining sections (Sections 18.1483, 18.1484, and 18.1486 - 18.1488 of the *Michigan Compiled Laws*) will be evaluated and reported on in the performance audit of the Office of Internal Audit Services, Department of Technology, Management & Budget.

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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>
	<u>SNAP Cluster:</u>	Unqualified
10.551	• Supplemental Nutrition Assistance Program	
10.561*	• Supplemental Nutrition Assistance Program (Administrative Costs)	
81.042*	Weatherization Assistance for Low-Income Persons	Unqualified
	<u>TANF Cluster:</u>	Adverse
93.558	• Temporary Assistance for Needy Families (TANF)	
93.714	• ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	
93.563*	Child Support Enforcement	Unqualified
93.566	Refugee and Entrant Assistance - State Administered Programs	Qualified
93.568	Low-Income Home Energy Assistance	Qualified
	<u>CSBG Cluster:</u>	Unqualified
93.569	• Community Services Block Grant	
93.710	• ARRA - Community Services Block Grant	
	<u>CCDF Cluster:</u>	Adverse
93.575	• Child Care and Development Block Grant	
93.596	• Child Care Mandatory and Matching Funds of the Child Care and Development Fund	
93.713	• ARRA - Child Care and Development Block Grant	
93.658*	Foster Care - Title IV-E	Qualified
93.659*	Adoption Assistance	Qualified
93.667	Social Services Block Grant	Unqualified
	<u>Medicaid Cluster:</u>	Unqualified
93.778*	• Medical Assistance Program	
	<u>Disability Insurance/SSI Cluster:</u>	Unqualified
96.001	• Social Security - Disability Insurance	

\* Includes American Recovery and Reinvestment Act of 2009 (ARRA) funding.

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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