



Michigan
Office of the Auditor General
REPORT SUMMARY

Financial Audit
Including the Provisions of the Single Audit Act
Department of Energy, Labor & Economic Growth
October 1, 2008 through September 30, 2010

Report Number:
641-0100-11

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:

Auditor's Report Issued

We issued an unqualified opinion on the Department of Energy, Labor & Economic Growth's (DELEG's) financial schedules.

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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 through 5).

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**Noncompliance and Other Matters
Material to the Financial Schedules**

We did not identify any instances of noncompliance or other matters applicable to the financial schedules that are required to be reported under *Government Auditing Standards*.

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Federal Awards:

Auditor's Reports Issued on Compliance

We audited 15 programs (including 9 ARRA related programs) as major programs and reported known questioned costs of \$24.0 million. DELEG expended \$1.3 billion in federal awards, including \$211.0 million of ARRA funding, during the two-year period ended September 30, 2010. We issued 14 unqualified opinions and 1 qualified opinion. 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 a material weakness in internal control over federal program compliance (Finding 13). We also identified significant deficiencies (Findings 6 through 14).

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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 6 through 14).

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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 the Department of Energy, Labor & Economic Growth 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.



We audited the following programs as major programs:

<u>CFDA Number</u>	<u>Program or Cluster Title</u>	<u>Compliance Opinion</u>
10.561	<u>SNAP Cluster:</u> <ul style="list-style-type: none"> State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 	Unqualified
17.002	Labor Force Statistics	Unqualified
17.207*	<u>Employment Service Cluster:</u> <ul style="list-style-type: none"> Employment Service/Wagner-Peyser Funded Activities 	Unqualified
17.801	<ul style="list-style-type: none"> Disabled Veterans' Outreach Program (DVOP) 	
17.804	<ul style="list-style-type: none"> Local Veterans' Employment Representative Program 	
17.245	Trade Adjustment Assistance	Unqualified
17.258*	<u>WIA Cluster:</u> <ul style="list-style-type: none"> WIA Adult Program 	Unqualified
17.259*	<ul style="list-style-type: none"> WIA Youth Activities 	
17.260*	<ul style="list-style-type: none"> WIA Dislocated Workers 	
17.278	<ul style="list-style-type: none"> WIA Dislocated Worker Formula Grants 	
17.268	H-1B Job Training Grants	Unqualified
17.503*	Occupational Safety and Health - State Program	Unqualified
81.041*	State Energy Program	Unqualified
81.127	ARRA - Energy Efficient Appliance Rebate Program (EEARP)	Unqualified
81.128	ARRA - Energy Efficiency and Conservation Block Grant (EECBG)	Unqualified
84.002	Adult Education - Basic Grants to States	Unqualified
84.048	Career and Technical Education - Basic Grants to States	Unqualified
84.126	<u>Vocational Rehabilitation Cluster:</u> <ul style="list-style-type: none"> Rehabilitation Services - Vocational Rehabilitation Grants to States 	Qualified
84.390	<ul style="list-style-type: none"> ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act 	
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	Unqualified
93.558	<u>TANF Cluster:</u> <ul style="list-style-type: none"> Temporary Assistance for Needy Families (TANF) 	Unqualified

* 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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