

EXECUTIVE DIGEST

**DEPARTMENT OF PUBLIC HEALTH**

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**INTRODUCTION**

This report contains the results of our financial audit, including the provisions of the Single Audit Act, of the Department of Public Health for the period October 1, 1991 through September 30, 1993.

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**AUDIT PURPOSE**

This financial audit of the department 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 of 1984 and Office of Management and Budget Circular A-128, *Audits of State and Local Governments*.

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**AUDIT  
OBJECTIVES  
AND  
CONCLUSIONS**

**Audit Objective:** To assess the adequacy of the department's internal control structure, including applicable administrative controls related to the management of federal financial assistance programs.

**Conclusion:** Our assessment of the department's internal control structure did not disclose any material weaknesses. However, we did note reportable conditions involving the department's internal audit function, payroll costs charged to

federal programs, establishment of accounts payable, and timekeeping and payroll (Findings 1 through 4).

Also, our assessment indicated that the department 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. However, the department did not employ an internal auditor during the period covered by our audit (Finding 1).

**Audit Objective:** To assess the department's compliance with both State and federal laws and regulations that could have a material effect on either the department's financial schedules or any of its major federal financial assistance programs.

**Conclusion:** Our assessment of compliance with laws and regulations did not disclose any instances of noncompliance that could have a material effect on the department's financial schedules or its major federal financial assistance programs. However, our assessment disclosed instances of noncompliance with State and federal laws and regulations. The department did not bill allowable expenditures of \$811,695 to the federal government during our audit period (Finding 5). Also, the department did not record the receipt and expenditure of \$2.1 million of Medicaid grant funds during our audit period and did not obtain legislative authorization to spend those funds (Finding 6).

In addition, our assessment disclosed other instances of noncompliance involving revenue classification and indirect cost reimbursements (Findings 7 and 8).

**Audit Objective:** To audit the department's financial schedules for the fiscal years ended September 30, 1993 and September 30, 1992.

**Conclusion:** We expressed an unqualified opinion on the department's financial schedules for the fiscal years ended September 30, 1993 and September 30, 1992.

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**AUDIT SCOPE**

Our audit scope was to examine the financial and other records of the General Fund operations of the Department of Public Health for the period October 1, 1991 through September 30, 1993. Our audit was conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

The Gifts, Bequests, and Deposits Investment Fund, which includes assets and revenues from donations for the Children's Special Health Care Services Program, is audited separately. Therefore, it is not included in this audit.

Our audit objective for the assessment of the internal control structure included an evaluation of the department's implementation of the requirements for establishing and maintaining systems of internal accounting and

administrative control, as set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws*.

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**AGENCY  
RESPONSES  
AND PRIOR AUDIT  
FOLLOW-UP**

Our audit report includes 8 findings and 12 corresponding recommendations. The agency preliminary response prepared for our audit conference indicated that the agency agreed with all but one of our recommendations.

The department complied with 8 of the 12 prior audit recommendations included in the scope of our current audit.

Three of the recommendations are repeated in this report and 1 recommendation was no longer deemed to be a reportable condition because the department had taken steps toward compliance with the recommendation.