

EXECUTIVE DIGEST

DEPARTMENT OF AGRICULTURE

INTRODUCTION

This report contains the results of our financial audit, including the provisions of the Single Audit Act, of the Department of Agriculture for the period October 1, 1992 through September 30, 1994.

AUDIT PURPOSE

This financial audit of the Department was performed 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*.

BACKGROUND

The Michigan Department of Agriculture was established to promote agricultural interests of the State of Michigan and to develop safeguards to protect the public from disease and unsanitary conditions in connection with animals, plants, dairy products, food production, food handling, and product labeling. The Department operates under the direction of the five-member Commission of Agriculture which appoints the Department director. The Governor appoints the

members of the commission, with the advice and consent of the Senate, for four-year terms.

The Department's Financial Services Division is responsible for accounting and financial reporting. Responsibilities related to administration of the Department's federal grants are shared by eight operational divisions.

The Department's expenditures and operating transfers for the fiscal years ended September 30, 1994 and September 30, 1993 were \$52.3 million and \$50.3 million, respectively. As of September 30, 1994, the Department had 711 employees, of which 135 were seasonal employees.

**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 internal control structure did not disclose any material weaknesses. However, we noted reportable conditions related to imprest cash controls, gross pay adjustments, and financial reporting which, if corrected, would help prevent or detect errors and irregularities (Findings 1 through 3).

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, we found that the

Department's internal auditor was not organizationally independent and that the internal auditor did not conduct periodic audits of the Department's financial activities (Finding 4).

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 the Department's 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 any of its major federal financial assistance programs.

However, our assessment disclosed reportable conditions related to operating costs, subrecipient monitoring, and encumbrances (Findings 5 through 7).

Audit Objective: To audit the Department's financial schedules for the fiscal years ended September 30, 1994 and September 30, 1993.

Conclusion: We expressed an unqualified opinion on the financial schedules.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Department of Agriculture for the period October 1, 1992 through September 30, 1994. 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.

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*.

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

Our audit report includes 7 findings and 9 recommendations. The Department agreed with all of our findings and informed us that it has taken action to implement the applicable recommendations.

The Department had complied with 7 of the 9 prior audit recommendations included in the scope of our current audit. Two of the prior audit recommendations are repeated in this report.