

EXECUTIVE DIGEST

DEPARTMENT OF STATE

INTRODUCTION

This report contains the results of our financial audit* , including the provisions of the Single Audit Act, of the Department of State for the period October 1, 1994 through September 30, 1996.

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 federal Office of Management and Budget Circular A-128, *Audits of State and Local Governments*.

BACKGROUND

The Department of State is responsible for registering and licensing motor vehicles and related functions, regulating Michigan elections, registering lobbyists, and preserving historical records. The Department collects numerous fees and taxes in carrying out these functions.

For the fiscal year ended September 30, 1996, the Department collected \$1.7 billion of revenue for State purposes and expended \$146.4 million for its operations. As of September 30, 1996, the Department had 2,370 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* relating to reconciliation of undistributed receipts, inventory control, accounts receivable, expenditure authorization and documentation, and personnel transaction control procedures (Findings 1 through 5).

In addition, 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.

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 its major federal financial assistance program.

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 its major federal financial assistance program. However, our assessment disclosed instances of noncompliance related to encumbrance carry-forwards (Finding 6). Our audit did

not disclose any questioned costs relating to the Department's federal financial assistance programs for the

audit period.

Audit Objective: To audit the Department's financial schedules for the fiscal years ended September 30, 1996 and September 30, 1995.

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 State for the period October 1, 1994 through September 30, 1996. 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 6 findings and 9 recommendations. The Department agreed with the recommendations.

The Department complied with 5 of the 10 recommendations in our prior Single Audit* . Four of the

recommendations are rewritten for inclusion in this report, and 1 recommendation was forwarded to another audit currently in process in the Department.