

EXECUTIVE DIGEST

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

INTRODUCTION

This report contains the results of our financial audit^{*}, including the provisions of the Single Audit Act, of the Department of Military and Veterans Affairs for the period October 1, 1995 through September 30, 1997.

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 is responsible for training the Michigan National Guard to ensure military preparedness and for operating and maintaining military training sites and support facilities. In addition, the Department oversees grants to 13 veterans' service organizations in accordance with the appropriations acts.

The Department is also responsible for the supervision and direction of the two State veterans' homes, which

provide domiciliary and nursing care to aged and disabled military veterans.

In addition, the Department is responsible for the supervision and direction of the Michigan Veterans' Trust Fund. The Fund provides grants to assist veterans and their dependents. The Fund also provides administrative support for the Vietnam Veterans' Memorial Monument Fund.

For fiscal year 1996-97, the Department's total General Fund expenditures and operating transfers were \$79,723,056. As of September 30, 1997, the Department had 914 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 Department's internal control structure did not disclose any material weaknesses*. However, our review of internal controls in our financial related audit of the Department disclosed reportable conditions* in the areas of incompatible user classes, payroll and personnel transactions, inventory controls, and procurement cards. These issues are more fully explained in our report on the financial related audit of the Department dated April 1, 1998. The Department's preliminary response indicated that it had complied or would comply with all of the recommendations in that report.

Audit Objective: To assess the Department's compliance with both State and federal laws and regulations that could have a material effect on 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.

Audit Objective: To audit the Department's General Fund financial schedules for the fiscal years ended September 30, 1997 and September 30, 1996.

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

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Department of Military and Veterans Affairs for the period October 1, 1995 through September 30, 1997. 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 scope of this audit did not include the Michigan Veterans' Trust Fund and the Vietnam Veterans' Memorial Monument Fund, which we audit separately. These Funds did not administer any federal financial assistance programs.

Our audit, relative to the objective for assessing the Department's internal control structure, was complemented by our financial related audit of the Department.

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*.

**PRIOR AUDIT
FOLLOW-UP**

The Department complied with 11 of the 12 prior audit recommendations included within the scope of our current audit and our financial related audit of the Department. We repeated one prior audit recommendation in our financial related audit of the Department.