

EXECUTIVE DIGEST

DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES

INTRODUCTION

This report contains the results of our financial audit*, including the provisions of the Single Audit Act, of the Department of Consumer and Industry Services (CIS) for the period October 1, 1995 through September 30, 1997.

AUDIT PURPOSE

This financial audit of CIS 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

CIS was established on May 15, 1996 by Executive Order 1996-2, which merged the former Departments of Commerce and Labor and other licensing and regulatory agencies from the former Departments of Mental Health, Public Health, and Social Services. CIS's overall mission* is to support the health, safety, economic, and cultural well-being of the public through services to and regulation of the activities of organizations and individuals. The Finance and Administrative Services Bureau is responsible for accounting and federal grant management.

For fiscal year 1996-97, CIS's General Fund expenditures and operating transfers were \$210,768,522. As of September 30, 1997, CIS had 2,969 full-time employees.

AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS

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

Conclusion: Our assessment of CIS's internal control structure did not disclose any material weaknesses*. However, we noted reportable conditions* relating to the Personnel-Payroll Information System for Michigan (PPRISM) transaction controls, allocation of payroll charges, and monitoring of subrecipient* audit reports (Findings 1 through 3).

In addition, our assessment indicated that CIS 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.

Noteworthy Accomplishments: During our audit period, CIS completed transition to its present day operations by combining various parts of the previous Departments of Commerce, Labor, Mental Health, Public Health, and Social Services. At the same time, CIS implemented the State's new accounting system, the Michigan Administrative Information Network. CIS's planning, foresight, and experience enabled it to develop and implement the transition with very minimal disruptions to

its internal accounting and administrative control structure.

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

Conclusion: Our assessment of CIS's compliance with laws and regulations did not disclose any instances of noncompliance that could have a material effect on CIS's financial schedules or any of its major federal financial assistance programs.

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

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 Consumer and Industry Services 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 following CIS operations and related funds, except centralized PPRISM controls, are audited and reported on

separately and were excluded from the scope of this audit: Safety Education and Training Fund; Uninsured Employers' Security Fund; State Construction Code Fund; Homeowner Construction Lien Recovery Fund; Liquor Purchase Revolving Fund; Michigan Strategic Fund; Second Injury Fund; Silicosis, Dust Disease, and Lodging Industry Compensation Fund; Self-Insurers' Security Fund; Utility Consumer Representation Fund; Workers' Disability Compensation - Multiple Trust Funds; Insurance Carrier Deposits Fund; and Michigan State Housing Development Authority.

Our audit objective for the assessment of the internal control structure included an evaluation of CIS'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 3 findings and 4 corresponding recommendations. CIS agreed with the 4 recommendations and informed us that it has implemented or will implement all of them.

Our prior Single Audit* reports of the Departments of Commerce and Labor contained 9 recommendations. CIS had complied with 3 of these prior audit recommendations. The other 6 recommendations related to programs that were transferred to the Michigan Jobs Commission or the Family Independence Agency.