

EXECUTIVE DIGEST

DEPARTMENT OF CIVIL RIGHTS

INTRODUCTION

This report contains the results of our financial audit*, including the provisions of the Single Audit Act, of the Department of Civil Rights (DCR) for the period October 1, 1996 through September 30, 1998.

AUDIT PURPOSE

This financial audit of DCR 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 requirements of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

BACKGROUND

DCR was established in 1965 to implement policy established by the Civil Rights Commission. DCR's mission* is to secure the full enjoyment of civil rights guaranteed by law and the State Constitution and to redress unlawful discrimination against any person in accordance with law.

DCR has an agreement with the U.S. Equal Employment Opportunity Commission (EEOC) that provides federal funds for DCR to investigate complaints of discrimination under several federal laws, such as the Civil Rights Act of 1964, as amended; the Age Discrimination in Employment

Act of 1967, as amended; and the Americans With Disabilities Act of 1990.

In 1996, DCR began a process of reengineering departmental functions into a streamlined process called the Problem Resolution Process. Key components of DCR's new approach include: cross-training staff; enforcing strict complaint investigation time limits; and promoting a healthy civil rights climate through formal partnerships. The process was fully implemented as a pilot in the Grand Rapids field office beginning in July 1998. All other field offices implemented certain components beginning in November 1998, with full implementation in April 1999.

The Office of Management Services has responsibility for DCR's accounting and financial reporting, including federal financial reporting. DCR's total fiscal year 1997-98 expenditures were \$13,244,555 and, as of September 30, 1998, DCR had 143 full-time equated employees and 18 limited-term employees.

**AUDIT OBJECTIVES
AND CONCLUSIONS**

Audit Objective: To audit DCR's financial schedules, including the schedule of expenditures of federal awards, for the fiscal years ended September 30, 1998 and September 30, 1997.

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

Audit Objective: To assess and report on DCR's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial

schedules, and on its internal control* over financial reporting, based on our audit of the financial schedules.

Conclusion: Our assessment of compliance did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*. Also, our assessment of internal control over financial reporting did not disclose any material weaknesses*. However, we identified reportable conditions* related to procurement card use and eligible activities for the Fair Housing Assistance Program (FHAP) contract (Findings 1 and 2).

In addition, our assessment indicated that DCR 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 and report on DCR's compliance with requirements applicable to each major federal program and on its internal control over compliance in accordance with OMB Circular A-133.

Conclusion: Our assessment of compliance applicable to DCR's major federal program did not disclose any instances of noncompliance that are required to be reported in accordance with OMB Circular A-133. However, the results of our auditing procedures disclosed an instance of noncompliance resulting in questioned costs* totaling \$80,456 related to eligible activities for the FHAP contract, a nonmajor federal program, that is required to be reported in accordance with OMB Circular A-133 (Finding 3). Our assessment of internal control over

compliance applicable to DCR's major federal program did not disclose any material weaknesses.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Department of Civil Rights for the period October 1, 1996 through September 30, 1998. Our audit was conducted in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

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

Our audit report contains 2 findings and 2 corresponding recommendations. DCR's corrective action plan indicates that it agrees with the recommendations and plans to implement them.

There were no findings or recommendations in the prior DCR Single Audit* report.