

EXECUTIVE DIGEST

MICHIGAN JOBS COMMISSION

INTRODUCTION

This report contains the results of our financial audit*, including provisions of the Single Audit Act, of the Michigan Jobs Commission (MJC) for the period October 1, 1996 through September 30, 1998.

AUDIT PURPOSE

This financial audit of MJC 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 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

MJC was created as a temporary agency by Executive Order 1993-2, effective March 1, 1993. MJC was later made a permanent State department by Executive Order 1994-26, effective February 27, 1995. Subsequent to our audit period, Executive Order 1999-1, effective April 5, 1999, transferred the Michigan Strategic Fund (MSF) from MJC to the Department of Management and Budget, created the Michigan Department of Career Development, and abolished MJC and the Michigan Jobs Commission Board. The Executive Order also transferred various economic development programs and functions from MJC to MSF and transferred the remaining authority, powers,

duties, functions, responsibilities, and personnel of MJC to the Michigan Department of Career Development.

MJC's mission* was to promote and administer programs designed to foster economic expansion and work force development in the State. MJC's purpose was also to ensure maximum coordination, accountability, and performance-related measures with respect to these programs.

MJC was headed by a chief executive officer, who also served as department director. Executive Order 1994-26 also established the Michigan Jobs Commission Board. The Board, which consisted of up to 25 voting members appointed by the Governor, was established to advise the Governor and MJC's chief executive officer on matters regarding economic and work force development policy.

MJC's major funding sources were the State's General Fund and the U.S. Departments of Education, Health and Human Services, Housing and Urban Development, and Labor.

MJC had General Fund expenditures (which included MJC's federally funded expenditures) and operating transfers out totaling approximately \$406 million and \$374 million for fiscal years 1997-98 and 1996-97, respectively.

As of September 30, 1998, MJC had 998 employees.

**AUDIT OBJECTIVES
AND CONCLUSIONS**

Audit Objective: To audit MJC'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 MJC's financial schedules.

Audit Objective: To assess and report on MJC'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 controls over access to the Michigan Administrative Information Network* (MAIN), MAIN reconciliation procedures, encumbrances and accounts payable, mail opening and cash receipts, and equipment inventory controls and financial reporting (Findings 1 through 5).

In addition, our assessment indicated that MJC 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 MJC'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 each major federal program disclosed instances of noncompliance related to timely federal reporting and subrecipient* monitoring that are required to be reported under OMB Circular A-133 (Findings 6 through 8). However, our assessment of internal control over compliance applicable to each major federal program did not disclose any material weaknesses. We did identify reportable conditions related to timely federal reporting, subrecipient monitoring, controls over access to MAIN, and MAIN reconciliation procedures (Findings 6 through 10).

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Michigan Jobs Commission 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.

This audit did not include the operations of the Michigan Strategic Fund or the Employment Services Agency, both of which were audited and reported on separately.

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

Our audit report contains 8 findings and 12 corresponding recommendations. MJC's corrective action plan indicates that it agrees with the recommendations and plans to implement all of them.

As disclosed in MJC's summary schedule of prior audit findings, MJC complied with 5 of the 11 prior Single Audit* recommendations related to the 8 prior audit findings. Three of the prior audit recommendations were rewritten for inclusion in this report. Three of the prior audit recommendations are repeated in this report.