

EXECUTIVE DIGEST

DEPARTMENT OF AGRICULTURE

INTRODUCTION

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

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 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

The Department of Agriculture's mission* is to promote and protect the agricultural interests of the people of the State of Michigan. A five-member Commission of Agriculture is responsible for the general administration of the Department, including the appointment of the director. The Governor appoints the members of the Commission, with the advice and consent of the Senate, for four-year terms.

Executive Order 1997-13, effective October 14, 1997, transferred the Michigan State Fair and Exposition Center

from the Department of Consumer and Industry Services to the Department of Agriculture.

The Department's Finance and Technology Division is responsible for the Department's accounting and financial reporting. Responsibilities related to administration of the Department's federal grants are shared by the operational divisions.

The Department's expenditures and operating transfers for the fiscal years ended September 30, 1998 and September 30, 1997 were \$64.0 million and \$66.3 million, respectively. As of September 30, 1998, the Department had 674 employees, of which 134 were seasonal employees.

**AUDIT OBJECTIVES
AND CONCLUSIONS**

Audit Objective: To audit the Department'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 the Department's financial schedules.

Audit Objective: To assess and report on the Department'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 personnel and payroll functions, the internal audit function, indirect cost* recovery accounting, cash management, and procurement card* usage (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. However, we identified a reportable condition related to the internal audit function (Finding 2).

Audit Objective: To assess and report on the Department'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 federal financial reporting, personnel-payroll cost distributions, and Cooperative Forestry Assistance grant applications 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 federal financial reporting,

personnel-payroll cost distributions, Cooperative Forestry Assistance grant applications, personnel and payroll functions, and procurement card usage (Findings 6 through 10).

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Department of Agriculture 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 8 findings and 8 corresponding recommendations. The Department's corrective action plan indicates that it agrees with the recommendations and plans to implement 6 of them.

As disclosed in the Department's summary schedule of prior audit findings, the Department complied with 6 of the 7 prior Single Audit* recommendations related to the 5 prior audit findings. One of the prior recommendations is repeated in this report.