

Ms. Sharon Moffett-Massey, Director
State of Michigan Talent Investment Agency,
Unemployment Insurance Agency,
State of Michigan Office of the Auditor General
State of Michigan Office of Financial Management

In planning and performing our audit of the financial statements of the State of Michigan Talent Investment Agency, Unemployment Insurance Agency – Administration Fund (Fund) as of and for the year ended September 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Fund’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies, significant deficiencies, or material weaknesses in internal control and therefore, deficiencies, significant deficiencies, or material weaknesses may exist that were not identified.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal control and operating efficiency. These matters are included within this letter.

We would be pleased to discuss these matters in further detail at your convenience, to perform any study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management of the Fund, the Office of the Auditor General, the Office of Financial Management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Andrews Hooper Pavlik PLC

December 5, 2016
Auburn Hills, Michigan

Current Year Recommendations

Control Deficiencies

The following comments are not considered significant deficiencies or material weaknesses.

Federal Draws

We noted that the Cash Management Improvement Act Agreement (Agreement) indicates that “The State shall request funds for all direct administrative costs such that they are deposited on the dollar-weighted average date of clearance of payroll.” The Agreement also states that “The State shall request funds at bi-weekly intervals, such that funds are deposited on the day of clearance for payroll payments.” During our testing of federal draws, we noted one draw that was made one week later than the scheduled draw date, which is not in accordance with the Agreement.

We recommend all federal draws be requested such that funds are deposited on the day of clearance for payroll payments, consistent with the Agreement.

Management’s Response:

The Agency agrees that 25 of the 26 draws were made in accordance with the Cash Management Improvement Act Agreement. However on one occasion the draw was a week late. Management has developed an Outlook calendar with bi-weekly reminders of when draws should be completed to ensure future draws will be done according to the Cash Management Improvement Act.

Payroll Testing

During our current year payroll testing, we noted one employee who incurred time for two agencies in the pay period tested – the Fund and another agency. The employee recorded sick time during the pay period tested. Management indicated that there is a true-up process completed at the end of each quarter to allocate employees’ sick and vacation time for the quarter to each agency based on the percentage of normal hours worked for each agency during the quarter. We noted this true-up process was not completed for this employee for the quarter related to the pay period tested. Therefore, this employee’s payroll expenditures were not properly allocated between the two agencies. We recommend management continue to review the listing of employees who require true-ups each quarter and continue to review to ensure all true-ups were properly performed

We also noted one employee’s time card did not have proper supervisor approval within the DCDS system. The time card did have a certifier signoff and HR release signoff. We recommend all time cards receive appropriate supervisor approval before being certified and released.

Management's Response:

The Agency agrees that there was a one-time occurrence where we did not properly allocate an employee's time between two agencies. Management will update procedures and develop a checklist to ensure all true-ups are properly performed. Management will review and approve the quarterly true-ups to ensure they are completed, completed timely, and properly performed.

The Agency agrees that proper supervisor approval was not obtained for one employee's time card. HR will modify its procedures to ensure that it flags any missing supervisor approvals prior the HR release signoff. If it is not possible to delay the HR release signoff until the supervisor approval is obtained, a notation will be made with follow-up to ensure that approval is obtained shortly thereafter.