



# MICHIGAN

OFFICE OF THE AUDITOR GENERAL

## AUDIT REPORT



THOMAS H. McTAVISH, C.P.A.  
AUDITOR GENERAL

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

– Article IV, Section 53 of the Michigan Constitution

Audit report information can be accessed at:

*<http://audgen.michigan.gov>*



Michigan  
Office of the Auditor General  
**REPORT SUMMARY**

*Financial Audit*  
*Including the Provisions of the Single Audit Act*  
*Department of Attorney General*

Report Number:  
111-0100-09

*October 1, 2006 through September 30, 2008*

Released:  
June 2009

*A Single Audit is designed to meet the needs of all financial report users, including an entity's federal grantor agencies. The audit determines if the financial schedules and/or financial statements are fairly presented; considers internal control over financial reporting and internal control over federal program compliance; determines compliance with requirements material to the financial schedules and/or financial statements; and assesses compliance with direct and material requirements of the major federal programs.*

**Financial Schedules:**

**Auditor's Report Issued**

We issued an unqualified opinion on the Department of Attorney General's financial schedules.

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**Internal Control Over Financial Reporting**

We identified a significant deficiency in internal control over financial reporting (Finding 1). We do not consider this significant deficiency to be a material weakness.

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**Noncompliance and Other Matters  
Material to the Financial Schedules**

We did not identify any instances of noncompliance or other matters applicable to the financial schedules that are required to be reported under *Government Auditing Standards*.

~ ~ ~ ~ ~

**Federal Awards:**

**Auditor's Reports Issued on Compliance**

We audited one program as a major program and issued an unqualified opinion. The Department of Attorney General expended a total of \$7.5 million in federal awards during the two-year period ended September 30, 2008. The federal program audited as a major program is identified on the back of this summary.

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**Internal Control Over Major Programs**

We did not report any findings related to internal control over federal program compliance.

~ ~ ~ ~ ~

**Required Reporting of Noncompliance**

We did not identify any instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133.

~ ~ ~ ~ ~

**Systems of Accounting and Internal Control:**

We determined that the Department was in substantial compliance with Sections 18.1483 - 18.1487 of the *Michigan Compiled Laws*.



We audited the following program as a major program:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Compliance Opinion</u>
93.775	State Medicaid Fraud Control Units	Unqualified

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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Lansing, Michigan 48913

**Thomas H. McTavish, C.P.A.**  
Auditor General

**Scott M. Strong, C.P.A., C.I.A.**  
Deputy Auditor General



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THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

June 18, 2009

The Honorable Mike Cox  
Attorney General  
G. Mennen Williams Building  
Lansing, Michigan

Dear Mr. Cox:

This is our report on the financial audit, including the provisions of the Single Audit Act, of the Department of Attorney General for the period October 1, 2006 through September 30, 2008.

This report contains our report summary, our independent auditor's report on the financial schedules, and the Department's financial schedules and schedule of expenditures of federal awards. This report also contains our independent auditor's report on internal control over financial reporting and on compliance and other matters, our independent auditor's report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with U.S. Office of Management and Budget Circular A-133, and our schedule of findings and questioned costs. In addition, this report contains the Department's summary schedule of prior audit findings, its corrective action plan, and a glossary of acronyms and terms.

Our finding and recommendation are contained in Section II of the schedule of findings and questioned costs. The agency preliminary response is contained in the corrective action plan. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL



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INDEPENDENT AUDITOR'S REPORT AND  
FINANCIAL SCHEDULES



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THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

## Independent Auditor's Report on the Financial Schedules

The Honorable Mike Cox  
Attorney General  
G. Mennen Williams Building  
Lansing, Michigan

Dear Mr. Cox:

We have audited the accompanying financial schedules of the Department of Attorney General for the fiscal years ended September 30, 2008 and September 30, 2007, as identified in the table of contents. These financial schedules are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the financial schedules present only the revenues and the sources and disposition of authorizations for the Department of Attorney General's General Fund accounts, presented using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, these financial schedules do not purport to, and do not, constitute a complete financial presentation of either the Department or the State's General Fund in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial schedules referred to in the first paragraph present fairly, in all material respects, the revenues and the sources and disposition of authorizations of the Department of Attorney General for the fiscal years ended September 30, 2008 and September 30, 2007 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2009 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The schedule of expenditures of federal awards, required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the Department's financial schedules referred to in the first paragraph. Such information has been subjected to the auditing procedures applied in the audit of the financial schedules and, in our opinion, is fairly stated, in all material respects, in relation to the financial schedules taken as a whole.

AUDITOR GENERAL

June 1, 2009

DEPARTMENT OF ATTORNEY GENERAL  
Schedule of General Fund Revenues  
Fiscal Years Ended September 30

REVENUES	<u>2008</u>	<u>2007</u>
From federal agencies	\$ 3,781,484	\$ 3,727,503
From services	11,633,041	10,951,986
From licenses and permits	357,750	353,740
Miscellaneous:		
Court settlements	10,966,345	6,254,019
Court fines, fees, and assessments	1,274,613	851,757
Other	<u>230,520</u>	<u>294,941</u>
 Total revenues	 <u>\$ 28,243,753</u>	 <u>\$ 22,433,946</u>

The accompanying notes are an integral part of the financial schedules.

DEPARTMENT OF ATTORNEY GENERAL  
Schedule of Sources and Disposition of General Fund Authorizations  
Fiscal Years Ended September 30

	<u>2008</u>	<u>2007</u>
<b>SOURCES OF AUTHORIZATIONS (Note 2)</b>		
General purpose appropriations	\$ 32,036,600	\$ 30,471,000
Balances carried forward	2,926,662	3,766,602
Restricted financing sources	37,806,191	29,595,355
Less: Intrafund expenditure reimbursements	<u>(18,184,684)</u>	<u>(12,645,207)</u>
 Total	 <u><u>\$ 54,584,769</u></u>	 <u><u>\$ 51,187,750</u></u>
 <b>DISPOSITION OF AUTHORIZATIONS (Note 2)</b>		
Gross expenditures	\$ 68,590,579	\$ 60,819,158
Less: Intrafund expenditure reimbursements	<u>(18,184,684)</u>	<u>(12,645,207)</u>
Net expenditures	<u>\$ 50,405,895</u>	<u>\$ 48,173,951</u>
Balances carried forward:		
Encumbrances	\$ 693,440	\$ 636,249
Restricted revenues - not authorized	2,985,054	2,290,413
Total balances carried forward	<u>\$ 3,678,494</u>	<u>\$ 2,926,662</u>
Balances lapsed	<u>\$ 500,380</u>	<u>\$ 87,137</u>
 Total	 <u><u>\$ 54,584,769</u></u>	 <u><u>\$ 51,187,750</u></u>

The accompanying notes are an integral part of the financial schedules.

## Notes to the Financial Schedules

### Note 1 Significant Accounting Policies

#### a. Reporting Entity

The accompanying financial schedules report the results of the financial transactions of the Department of Attorney General for the fiscal years ended September 30, 2008 and September 30, 2007. The financial transactions of the Department are accounted for principally in the State's General Fund and are reported on in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*. The Department's financial transactions recorded in the Utility Representation Fund and the Michigan Merit Award Trust Fund are not presented in these financial schedules, but are accounted for separately in those Funds' financial statements, which are presented in the *SOMCAFR*.

The notes accompanying these financial schedules relate directly to the Department of Attorney General. The *SOMCAFR* provides more extensive disclosures regarding the State's significant accounting policies; budgeting, budgetary control, and legal compliance; pension benefits; and other postemployment benefits.

#### b. Measurement Focus, Basis of Accounting, and Presentation

The financial schedules contained in this report are presented using the current financial resources measurement focus and the modified accrual basis of accounting, as provided by accounting principles generally accepted in the United States of America. Under the modified accrual basis of accounting, revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred; however, certain expenditures related to long-term obligations are recorded only when payment is due and payable.

The accompanying financial schedules present only the revenues and the sources and disposition of authorizations for the Department of Attorney

General's General Fund accounts. Accordingly, these financial schedules do not purport to, and do not, constitute a complete financial presentation of either the Department or the State's General Fund in conformity with accounting principles generally accepted in the United States of America.

Note 2 Schedule of Sources and Disposition of General Fund Authorizations

The various elements of the schedule of sources and disposition of General Fund authorizations are defined as follows:

- a. General purpose appropriations: Original appropriations and any supplemental appropriations that are financed by General Fund/general purpose revenues.
- b. Balances carried forward: Authorizations for multi-year projects, encumbrances, restricted revenues - authorized, and restricted revenues - not authorized or used that were not spent as of the end of the prior fiscal year. These authorizations are available for expenditure in the current fiscal year for the purpose of the carry-forward without additional legislative authorization, except for the restricted revenues - not authorized or used.
- c. Restricted financing sources: Collections of restricted revenues, restricted transfers, and restricted intrafund expenditure reimbursements used to finance programs as detailed in the appropriations act. These financing sources are authorized for expenditure up to the amount appropriated. Depending upon program statute, any amounts received in excess of the appropriation are, at year-end, either converted to general purpose financing sources and made available for general appropriation in the next fiscal year or carried forward to the next fiscal year as either restricted revenues - authorized or restricted revenues - not authorized or used.
- d. Intrafund expenditure reimbursements: Funding from other General Fund departments (sources) to finance a program or a portion of a program (gross expenditures) that is the responsibility of the receiving department. In addition to the intrafund expenditure reimbursements that appear on the financial schedules, the Department used expenditure credits for services it provided to other State agencies totaling \$334,869 and \$7,215,491 for fiscal years 2007-08 and 2006-07, respectively. These costs appear as

expenditures in the financial schedules of the other departments and are not included on the Department's financial schedules.

- e. Encumbrances: Authorizations carried forward to finance payments for goods or services ordered during the fiscal year but not received by fiscal year-end. These authorizations are generally limited to obligations funded by general purpose appropriations.
- f. Restricted revenues - not authorized or used: Revenues that, by statute, are restricted for use for departmental operations or a particular program or activity. Generally, the expenditure of the restricted revenues is subject to annual legislative appropriation.
- g. Balances lapsed: Authorizations that were unexpended and unobligated at the end of the fiscal year. These amounts are available for legislative appropriation in the subsequent fiscal year.



SUPPLEMENTAL  
FINANCIAL SCHEDULE

DEPARTMENT OF ATTORNEY GENERAL  
Schedule of Expenditures of Federal Awards (1)  
For the Period October 1, 2006 through September 30, 2008

Federal Agency/Program	CFDA (2) Number	Directly Expended for the Fiscal Year Ended September 30		Total Expended and Distributed for the Two-Year Period
		2007	2008	
<b><u>U.S. Department of Health and Human Services</u></b>				
Direct Program:				
State Medicaid Fraud Control Units	93.775	\$ 3,730,578	\$ 3,788,821	\$ 7,519,399
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 3,730,578</b>	<b>\$ 3,788,821</b>	<b>\$ 7,519,399</b>
Total Expenditures of Federal Awards		<u>\$ 3,730,578</u>	<u>\$ 3,788,821</u>	<u>\$ 7,519,399</u>

(1) Basis of Presentation: This schedule presents the federal grant activity of the Department of Attorney General on the modified accrual basis of accounting and in accordance with requirements of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial schedules.

(2) CFDA is defined as *Catalog of Federal Domestic Assistance*.

INDEPENDENT AUDITOR'S REPORTS ON  
INTERNAL CONTROL AND COMPLIANCE



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THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

## Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

The Honorable Mike Cox  
Attorney General  
G. Mennen Williams Building  
Lansing, Michigan

Dear Mr. Cox:

We have audited the financial schedules of the Department of Attorney General for the fiscal years ended September 30, 2008 and September 30, 2007, as identified in the table of contents, and have issued our report thereon dated June 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial schedules, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the next paragraph, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial schedules that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in Finding 1 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial schedules will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described in the third paragraph of this section is not a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Department's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit the Department's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the State's management, others within the Department, the Legislature, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR GENERAL

June 1, 2009



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THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

Independent Auditor's Report on Compliance With  
Requirements Applicable to Each Major Program  
and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133

The Honorable Mike Cox  
Attorney General  
G. Mennen Williams Building  
Lansing, Michigan

Dear Mr. Cox:

Compliance

We have audited the compliance of the Department of Attorney General with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each major federal program for the two-year period ended September 30, 2008. The Department's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each major federal program is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance for each major program based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to in the preceding paragraph that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion related to the State Medicaid Fraud Control Units. Our audit does not provide a legal determination of the Department's compliance with those requirements.

In our opinion, the Department of Attorney General complied, in all material respects, with the requirements referred to in the first paragraph that are applicable to its major federal program for the two-year period ended September 30, 2008.

### Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined in the preceding paragraph.

This report is intended solely for the information and use of the State's management, others within the Department, the Legislature, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR GENERAL

June 1, 2009

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS



## Section I: Summary of Auditor's Results

### Financial Schedules

Type of auditor's report issued: Unqualified\*

Internal control\* over financial reporting:

Material weaknesses\* identified? No

Significant deficiencies\* identified that are not considered to be material weaknesses? Yes

Noncompliance or other matters material to the financial schedules? No

### Federal Awards

Internal control over major programs:

Material weaknesses\* identified? No

Significant deficiencies\* identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133, Section 510(a)? No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.775	State Medicaid Fraud Control Units

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee\*? No

\* See glossary at end of report for definition.

## **Section II: Findings Related to the Financial Schedules**

### **FINDING (1110901)**

#### **1. Payroll Controls**

The Department of Attorney General's internal control did not ensure that supervisors approved employee time sheets. Lack of appropriate approval could result in unauthorized payroll expenditures.

Section 18.1485 of the *Michigan Compiled Laws* (Act 431, P.A. 1984, as amended) provides that State agencies are responsible for developing and maintaining a system of controls in accordance with generally accepted accounting principles, including a system of authorization and recordkeeping procedures to control expenditures. In addition, the Data Collection and Distribution System\* (DCDS) Procedures Manual section 5.2.1 requires supervisors to approve employee time sheets.

We reviewed a sample of 100 time sheets on DCDS and noted that 22 (22%) of the time sheets were not approved by a supervisor. Supervisory approval provides assurance that an employee's time sheet is accurate.

### **RECOMMENDATION**

We recommend that the Department ensure that supervisors approve employee time sheets.

**The status of the findings related to the financial schedules that were reported in prior Single Audits\* is disclosed in the summary schedule of prior audit findings.**

## **Section III: Findings and Questioned Costs\* Related to Federal Awards**

We did not report any findings related to federal awards.

\* See glossary at end of report for definition.

## OTHER SCHEDULES

DEPARTMENT OF ATTORNEY GENERAL  
Summary Schedule of Prior Audit Findings  
As of June 1, 2009

**PRIOR AUDIT FINDINGS RELATED TO THE FINANCIAL SCHEDULES**

Audit Findings That Have Been Fully Corrected:

**Audit Period:** October 1, 2004 through September 30, 2006  
**Finding Number:** 1110701  
**Finding Title:** Internal Control Over Financial Reporting and Accounting

**Finding:** The Department of Attorney General did not ensure that reimbursements for services it provided to other State agencies were recorded in compliance with State accounting policy and with generally accepted accounting principles.

**Agency Comments:** The Department has complied with the recommendation. The Department improved its guidance to other State agencies regarding the correct transaction coding for reimbursement transactions and improved its monitoring process.

**PRIOR AUDIT FINDINGS RELATED TO FEDERAL AWARDS**

There were no findings related to federal awards in the prior Single Audit.

DEPARTMENT OF ATTORNEY GENERAL

Corrective Action Plan

As of June 2, 2009

**FINDINGS RELATED TO THE FINANCIAL SCHEDULES**

**Finding Number:** 1110901

**Finding Title:** Payroll Controls

**Management Views:** The Department of Attorney General agrees with the recommendation.

**Planned Corrective Action:** The Department has strengthened its payroll internal control by enhancing its monitoring process to include multiple days of monitoring throughout the week of payroll processing and will provide notification by e-mail to any supervisor who has not properly approved an employee's time sheet in accordance with the Data Collection and Distribution System (DCDS) Procedures Manual section 5.2.1.

**Anticipated Completion Date:** June 1, 2009

**Responsible Individual:** Doug Bramble, Director of the Office of Human Resources

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**FINDINGS RELATED TO THE FEDERAL AWARDS**

There were no findings related to federal awards for the two-year period ended September 30, 2008.

# GLOSSARY

## Glossary of Acronyms and Terms

*CFDA*

*Catalog of Federal Domestic Assistance.*

control deficiency in  
internal control over  
federal program  
compliance

The design or operation of a control that does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis noncompliance with a type of compliance requirement of a federal program.

control deficiency in  
internal control over  
financial reporting

The design or operation of a control that does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Data Collection and  
Distribution System  
(DCDS)

The State's client/server system that records, allocates, and distributes payroll costs within the accounting system for the Michigan Administrative Information System's Human Resource System (MAIN HRS).

financial audit

An audit that is designed to provide reasonable assurance about whether the financial schedules and/or financial statements of an audited entity are presented fairly in all material respects in conformity with the disclosed basis of accounting.

internal control

A process, effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

low-risk auditee

As provided for in OMB Circular A-133, an auditee that may qualify for reduced federal audit coverage if it receives an annual Single Audit and it meets other criteria related to prior

audit results. In accordance with State statute, this Single Audit was conducted on a biennial basis; consequently, this auditee is not considered a low-risk auditee.

material misstatement A misstatement in the financial schedules and/or financial statements that causes the schedules and/or statements to not present fairly the financial position or the changes in financial position or cash flows in conformity with the disclosed basis of accounting.

material weakness in internal control over federal program compliance A significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected.

material weakness in internal control over financial reporting A significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial schedules and/or financial statements will not be prevented or detected.

OMB U.S. Office of Management and Budget.

questioned cost A cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of federal funds, including funds used to match federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.



significant deficiency  
in internal control over  
federal program  
compliance

A control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected.

significant deficiency  
in internal control over  
financial reporting

A control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial schedules and/or financial statements that is more than inconsequential will not be prevented or detected.

Single Audit

A financial audit, performed in accordance with the Single Audit Act Amendments of 1996, that is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, a Single Audit requires the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with OMB Circular A-133.

*SOMCAFR*

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subrecipient

A nonfederal entity that expends federal awards received from another nonfederal entity to carry out a federal program.

unqualified opinion

An auditor's opinion in which the auditor states that:

- a. The financial schedules and/or financial statements presenting the basic financial information of the audited agency are fairly presented in conformity with the disclosed basis of accounting; or
- b. The financial schedules and/or financial statements presenting supplemental financial information are fairly stated in relation to the basic financial schedules and/or financial statements. In issuing an "in relation to" opinion, the auditor has applied auditing procedures to the supplemental financial schedules and/or financial statements to the extent necessary to form an opinion on the basic financial schedules and/or financial statements, but did not apply auditing procedures to the extent that would be necessary to express an opinion on the supplemental financial schedules and/or financial statements taken by themselves; or
- c. The audited agency complied, in all material respects, with the cited requirements that are applicable to each major federal program.



