

Mr. Allan R. Pohl, Director  
Bureau of Finance and Administrative Services,  
State of Michigan Department of Licensing and Regulatory Affairs  
Lansing, Michigan

In planning and performing our audit of the financial statements of the State of Michigan Department of Licensing and Regulatory Affairs, Unemployment Insurance Agency – Administration Fund (Fund) as of and for the year ended September 30, 2014, 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, 2014  
Auburn Hills, Michigan

## **Current Year Recommendations**

### Employee Personnel Files

During our current year payroll testing, we noted one employee for which the personnel file did not contain documentation of a driver's license, social security number, tax forms, or other documentation supporting the validity and existence of the employee. It is procedure to include this documentation in each employee's personnel file. We recommend management ensure employee personnel files contain such documentation.

## **Prior Year Recommendations**

### Payroll Testing

During our prior year testing of payroll, we noted two individuals for which the approver listed on the position inventory listing did not match the actual approver within the Data Collection and Distribution System (DCDS) for the pay periods tested. Based on discussions with LARA Human Resources personnel, it was determined that the actual approver within DCDS was accurate and appropriate, but the position inventory listing had not been updated. For a third individual tested, we noted that there was not a supervisor listed on the position inventory listing. Based on discussions with LARA Human Resources personnel, it was determined that the actual approver within DCDS for the pay period tested was accurate and appropriate. We recommend that position inventory listings should be reviewed and updated on a regular basis.

*2014 Update:* We noted no similar issues during our current year payroll testing. We make no further recommendation in this area.

During our prior year testing of payroll, we noted two individuals whose time reports were not certified or manually released for the pay period tested. Our understanding is that certification is a mandatory step in the time report approval process and time reports are to be manually released once they have been certified. The two time reports referenced here were automatically released through end-of-day processing without being certified. Based on discussion with LARA Human Resources personnel, it was noted that this likely occurred due to the certifier being on vacation and a secondary certifier was either not established or also on vacation. LARA Human Resources personnel also noted that a list of secondary certifiers is not maintained. We recommend that a list of secondary certifiers be established and maintained for situations in which the primary certifier is not available.

*2014 Update:* We noted during our current year payroll testing that for all employees selected for testing, the time reports were appropriately certified. We make no further recommendation in this area.

## Grant Reporting

During our testing of federal grant report submissions, we noted one quarterly grant report that was not submitted by the required submission date. The report was due by February 15, 2013 and was submitted on May 2, 2013. Upon inquiry, we learned that information about the applicable grant (grant amount and identifying number) that is included on the quarterly grant report was not available until March 4, 2013. This appears to be a reasonable explanation for the submission not occurring by February 15, 2013. However, since the report submission did not occur until May 2, 2013, we recommend that required grant reports should be submitted as timely as possible upon all information being available to prepare and submit the reports.

*2014 Update:* We noted during our current year testing of grant reporting that all reports selected for testing were submitted timely and no exceptions were noted. We make no further recommendation in this area.