



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF AGRICULTURE
LANSING

DON KOIVISTO
DIRECTOR

January 11, 2010

Mr. Doug Ringler, Director
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol, Sixth Floor
Lansing, Michigan 48913

Dear Mr. Ringler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is a summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's audit report of the Financial Audit including the provisions of the Single Audit Act of the Michigan Department of Agriculture, Report No. 791-0100-09.

Questions regarding the summary table or corrective action plans should be directed to David M. Bruce, MDA Finance and Administrative Services Director, (517) 241-2467.

Sincerely,

Signature Redacted

Don Koivisto
Director

Attachment

cc: Dan Krichbaum, Executive Office
Thomas H. McTavish, Auditor General
Mitchell Bean, House Fiscal Agency
Gary Olson, Senate Fiscal Agency
Senator Cameron Brown, Agriculture Senate Appropriation Sub-committee
Representative John Espinoza, Agriculture House Appropriation Sub-committee
Senator Gerald VanWoerkom, Agriculture and Bioeconomy Senate Standing Committee
Representative Mike Huckleberry, Agriculture House Standing Committee
Delia Underwood, Office of the State Budget Analyst
Gordon Wenk, MDA Executive Office
Thomas Benson, Office of Internal Audit Services
Steve Schneider, Office of Internal Audit Services
David Bruce, MDA Finance and Administrative Services Division

Financial Audit Including the Provisions of the Single Audit Act
Michigan Department of Agriculture
Summary of Agency Responses to Recommendations
Audit Period: October 1, 2006 through September 30, 2008

1. Audit recommendation the agency complied with:

Finding 7910902 – Procurement of Services

Recommendation: We recommend that MDA follow State financial and procurement procedures when entering into MOUs and when issuing purchase orders to service providers.

We also recommend that MDA sufficiently monitor the activity of nonprofit corporations or service providers with whom it enters into MOUs.

Corrective Action: MDA's Agriculture Development Division is adhering to statewide and department procurement and Administrative Board procedures. Internal controls and financial management controls have been strengthened, along with proper financial activity reporting. Department Memorandum of Understanding protocol is in place and under review by the Attorney General.

Date Completed: October 1, 2009

Finding 7910904 – Supporting Documentation

Recommendation: We recommend that MDA improve its internal control to ensure that it maintains competitive selection and licensing documentation to support its activities.

Corrective Action: Supporting file documentation is now maintained for all proposals and according to the records retention schedule. Requested changes to the records retention schedule have been approved by DMB.

Date Completed: October 1, 2009

Finding 7910905 – Cash Receipting Process

Recommendation: We again recommend that MDA improve its internal control to ensure proper safeguards related to its cash receipting process.

Corrective Action:

- a. Restrictively endorsing checks: License 2000 checks are now first endorsed in a secured area. Endorsements are now completed prior to moving to unsecured areas for processing.
- b. Timeliness of deposits: Timeliness of inbound revenue processing has been improved by increased monitoring of work loads and backlogs. Staff schedules are adjusted accordingly. Increased focus has been placed on depositing cash, as close to the date of receipt as possible.

- c. Receipt books: This investigation has been completed. Missing receipts have been followed up on.

Date Completed: October 1, 2009

Finding 7910908 – Conservation Reserve Program, CFDA 10.069

Recommendation: We recommend that MDA improve its internal control to ensure that the Conservation Reserve Program complies with federal laws and regulations regarding allowable costs/cost principles, reporting, and sub-recipient monitoring.

Corrective Action: MDA has implemented appropriate controls to ensure proper oversight of federal cost principles, reporting, and sub-recipient monitoring.

Date Completed: October 1, 2009

2. Audit recommendations the agency agrees with and will comply with:

Finding 7910901 - eWARS General Controls

Recommendation: We recommend that MDA and MDIT improve IT general controls over the eWARS system.

Corrective Action: MDA, in consort with the Michigan Department of Information Technology (MDIT), will correct procedural, access, documentation, security monitoring, and backup/recovery weaknesses to improve information technology general controls over the eWARS system.

Date to be Completed: September 1, 2010

Finding 7910903 - Schedule of Expenditures of Federal Awards (SEFA)

Recommendation: We again recommend that MDA enhance its internal control to ensure the accurate presentation of the SEFA in accordance with OMB Circular A-133 reporting standards.

Corrective Action: MDA Accounting, now called the Accounting Service Center (ASC), has begun corrective action by developing a detailed procedure to correctly screen and classify relationships with the federal awarding agency. The ASC will prepare the fiscal year 2009 SEFA in the most accurate manner possible with enhanced controls.

Date to be Completed: February 1, 2010

For the FY 2010 SEFA, the ASC will continue to refine procedures and again prepare the SEFA on time (by 2-1-11) with the best accuracy possible.

Date to be Completed: September 30, 2010

Finding 7910906 - Noncompliance with State Statute

Recommendation: We recommend that MDA design and implement adequate controls to ensure compliance with State statute.

Corrective Action: The Environmental Stewardship Division will still make advances to sub-recipients, but under two conditions. First, the Division will establish a review and approval process for qualification of those locations needing an advance. Second, a letter to the Department of Management and Budget will be written yearly notifying it of intent to advance funds.

Date to be Completed: September 30, 2010

Finding 7910907 - Plant and Animal Disease, Pest Control, and Animal Care, CFDA 10.025

Recommendation: We recommend that MDA improve its internal control to ensure that the Plant and Animal Disease, Pest Control, and Animal Care Program complies with federal laws and regulations regarding allowable costs/cost principles.

Corrective Action: MDA, in consort with MDIT, will correct procedural, access, documentation, security monitoring, and backup/recovery weaknesses to improve information technology general controls over the eWARS system. These system changes will ensure compliance with federal laws and regulations regarding allowable costs/cost principles.

Date to be Completed: September 1, 2010

Finding 7910909 - Specialty Crop Block Grant Program, CFDA 10.169

Recommendation: We recommend that MDA improve its internal control to ensure that the Specialty Crop Block Grant Program complies with federal laws and regulations regarding activities allowed or unallowed; allowable costs/cost principles; matching, level of effort, and earmarking; procurement and suspension and debarment; program income; and reporting.

Corrective Action: MDA will strengthen internal control in the Specialty Crop Block Grant Program to comply with federal laws and regulations relative to activities allowed or unallowed; allowable costs/cost principles; matching, level of effort, and earmarking; and procurement and suspension and debarment.

Date to be Completed: September 30, 2010

Finding 7910910 - Farm and Ranch Lands Protection Program, CFDA 10.913

Recommendation: We again recommend that MDA improve its internal control to ensure that the Farm and Ranch Lands Protection Program complies with federal laws and regulations regarding special tests and provisions.

Corrective Action: MDA's corrective action will be to provide those documents now required in the cooperative agreement or in the alternative and to request documentation from the U.S. Department of Agriculture National Resources Conservation Service waiving the requirement to submit those documents.

Date to be Completed: Effective with the next applicable easement purchase. MDA has not had an easement purchase since late 2008.

Finding 7910911 - Nonpoint Source Implementation Grants, CFDA 66.460

Recommendation: We recommend that MDA improve its internal control to ensure that the Nonpoint Source Implementation Grants Program complies with federal laws and regulations regarding activities allowed or unallowed.

We again recommend that MDA improve its internal control to ensure that the Nonpoint Source Implementation Grants Program complies with federal laws and regulations regarding allowable costs/cost principles; procurement and suspension and debarment; reporting; and sub-recipient monitoring.

Corrective Action: The Environmental Stewardship Division has implemented many of the components and recommendations and will continue to improve oversight of these federal funds.

Date to be Completed: September 1, 2010

Finding 7910912 - Performance Partnership Grants, CFDA 66.605

Recommendation: We recommend that MDA improve its internal controls to ensure that the Performance Partnership Grants Program complies with federal laws and regulations regarding allowable costs/cost principles.

Corrective Action: MDA, in consort with MDIT, will correct procedural, access, documentation, security monitoring, and backup/recovery weaknesses to improve information technology general controls over the eWARS system. These system changes will ensure compliance with federal laws and regulations regarding allowable costs/cost principles.

Date to be Completed: September 1, 2010

3. Audit recommendations the agency disagrees with:

None.