



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF MILITARY & VETERANS AFFAIRS
LANSING

MAJ GEN THOMAS G. CUTLER
ADJUTANT GENERAL AND DIRECTOR

September 29, 2010

Doug Ringler, Director
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, Michigan 48913

Dear Mr. Ringler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, enclosed is a summary table identifying our responses and corrective action plans to address recommendations contained within the Office of Auditor General's audit report (#511-0100-10) of the Department of Military and Veterans Affairs for the period October 1, 2007 through September 30, 2009.

Questions regarding the summary table or corrective plans should be directed to me.

Sincerely,

Signature Redacted

Joel A. Wortley
Deputy Director
State Operations

Enclosure

cc: Executive Office
Office of Auditor General
House Fiscal Agency
Senate Fiscal Agency
House Appropriations Subcommittee on State Police and Military and Veterans Affairs
Senate Appropriations Subcommittee on State Police and Military and Veterans Affairs

Department of Military and Veterans Affairs
Summary of Agency Responses to Recommendations
Report Number 511-0100-10
Audit Period October 1, 2007 – September 30, 2009

1. Audit recommendations the agency complied with:

Finding #5111003 – Revenue Classification

- The Department in FY10 has corrected revenue objects from Battle Creek Public School District and Civil Service Assessment. Revenue from the Mackinac Bridge Authority, when received during year end closing, will be correctly recorded as service revenue.

Finding #5111004 – Internal Control Over Procurement

- We are following State procurement policies and procedures that require contracts in excess of \$25,000 to be approved by the State Administrative Board and competitively bid. With the rollout and implementation of the State's online bidding system www.Bid4Michigan.com and the requirement effective December 1, 2009, for all bids to be formally placed on this website, any vendors who are formally debarred will not be able to submit bids through this website.

Finding #5111006 – ARRA – National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401

- The Department concurs with the recommendation regarding activities allowed or unallowed. We are examining vendor payment requests to ensure all the appropriate review and approvals have occurred prior to payments being issued. We concur with the observations noted concerning Davis-Bacon Act and Buy American requirements. The appropriate terms and conditions have been included in subsequent contracts funded by ARRA. ARRA contractors are certifying and submitting to the Department their weekly payroll data using the U. S. Department of Labor, Wage and Hour Division form and Buy American language has been included in subsequent contracts.

Finding #5111009 – Veterans State Domiciliary Care and Veterans State Nursing Home Care, CFDA 64.014 and CFDA 64.015

- In response to the first portion of the finding, the Grand Rapids Home for Veterans (GRHV) has revised existing administrative policy 11-03-A1. The GRHV has developed a monitor to ensure compliance. In response to the second portion of the finding, in accordance with administrative policy 08-06-M1, a copy of this form is retained in each member's medical record under the "History and Physical" section. The GRHV has developed a monitor to ensure compliance.
- In response to the first portion of the finding, the D.J. Jacobetti Home for Veterans (DJJHV) does not mandate that all five people sign off on the Admission Routing Form Recommendation sheet prior to admission. DJJHV Policy 03-05 Admissions states that the Director of Nursing, Admissions Coordinator, Social Worker, Medical Director and Administrator will review all applications. The minimum requirement is that a physician and the Director of Nursing (or designee) pre-approve an admission. Timely admissions are essential to generating operating revenue and we often admit veterans within 24 hours of receiving their application. It is preferred that the remainder of the admissions team reviews the application, but is not always practical. Policy 03-05 will be revised to clarify the minimum approval required for admission and documentation of this approval. In

response to the second portion of the finding, the DJJHV maintains the Admission Routing Form Recommendation in the Administrative file.

- GRHV has revised existing administrative policy 11-03-A1 as well as developed a monitor to ensure compliance. DJVH will revise Policy 03-05 to clarify the minimum approval required for admission and documentation of this approval.

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

Finding #5111001 – Schedule of Expenditures of Federal Awards (SEFA)

- Concerning the recommendation to improve the Department's internal control over financial reporting to ensure that the Department prepares its SEFA in accordance with OMB Circular A-133; To effectively resolve this finding, the department will examine existing procedures for obtaining in-kind assistance data from The United State Property and Fiscal Office (USPFO). The USPFO and Michigan National Guard federal program managers will be notified and we will maintain written documentation confirming our request(s) for in-kind assistance. We will also develop a standard letter requesting confirmation of in-kind assistance be provided to the Department by USPFO. The anticipated completion date is December 31, 2010. When other issues related to SEFA preparation were brought to the Departments attention, the SEFA was appropriately revised.

Finding #5111002 – Federal Reimbursements

- Concerning the recommendation to improve the process for requesting federal reimbursement to help ensure timely collection of federal funds; The Department processes between 70 and 80 claims for reimbursement each month. We have made an earnest and conscientious effort to improve our processes for requesting federal reimbursements. As a result of receiving advance payments, we have substantially reduced the negative cash balance from the prior audit. Beginning October 2010, we will request advance payments from the Air National Guard appendices for salary & wages in addition to the advances we receive for the Army National Guard appendices. The Department has initiated a process for construction project payments over \$50,000. We are now obtaining the federal program manager's approval on the Request for Reimbursement (SF270) prior to releasing payment to the vendor. This process helps to reduce the time elapsing between the transfer of federal funds and the disbursement of funds by the State. The anticipated completion date is December 31, 2010.

Finding #5111005 – Military Construction National Guard, CFDA 12.400

- The Department concurs with the recommendation. The Constructions and Facilities Management Office has implemented corrective action to ensure a process is in place to ensure NGB Form 593-R are accomplished and distributed as required. Timely completion and distribution of these forms will allow final accounting of MILCON projects. We believe the \$969,020 reimbursed from the MILCON projects was for expenditures that were the result of valid obligations. The expenditures were approved by the federal program manager, certified as allowable and reimbursed by USPFO. We are developing formal procedures to ensure timely delivery to USPFO full and final accounting for completed projects. We are currently working with the Construction Facilities Management Office federal program manager and the USPFO to develop joint operating procedures to ensure NGB Form 593-R is properly completed and signed timely. The anticipated completion date is December 31, 2010.

Finding #5111007 – National Guard Military Operations and Maintenance (O&M) Projects, CFDA 12.401

- We are working with the USPFO Grant Office Representative (GOR) to establish joint procedures for the initial funding, amendment and closeout modification process. In FY09, we began our corrective actions and together with USPFO we are working backwards to closeout prior year agreements. Many agreements have already been closed out. Appendices that required extensions have been requested and approved. In FY 10, OFS began the process of verifying that each appendix received their initial funding. The department is monitoring the amount spent for each appendix. Receiving the funding modifications from USPFO (whose job it is to provide the modification documentation) will facilitate the verification that expenditures do not exceed the maximum funding limitations. If the maximum funding limitation is exceeded, the program manager will be notified.
For the single employee identified as being improperly charged to O&M Projects, we will implement a process to certify this federally funded employee on duties associated with the position. The certification will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
The anticipated completions date is December 31, 2010.

Finding #5111008 – National Guard Civilian Youth Opportunities CFDA 12.404

- The Department will establish a formal procedure to document our annual on-site visits and our monthly review of Starbase request for reimbursement. The Department will also modify and document our monitoring process to ensure review of the required audit reports. Discrepancies will be investigated and communication with the subrecipient will be established to reconcile the discrepancy. The anticipated completion date is December 31, 2010.
- The MYCA response to this audit finding is that applications are not accepted until after interviews are complete and orientations have been attended. At the time we accept them, they are all drop outs. We do not encourage dropping out to attend ChalleNGe but many who know they can not graduate with their graduating class and those who are far behind in their accumulated high school credits and know they will become drop outs often choose to do so at that time. This has been a national issue and cannot be resolved by the States, but at the federal level by the National Guard Civilian Youth Opportunities Program.

3. Audit recommendations the agency disagrees with:

NONE