



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF AGRICULTURE  
AND RURAL DEVELOPMENT

KEITH CREAGH  
DIRECTOR

September 20, 2011

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

Dear Mr. Ringler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, 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 provisions of the *Single Audit Act of the Michigan Department of Agriculture – October 1, 2008 through September 20, 2010*.

Questions regarding the summary table or corrective action plans should be directed to *David Bruce, Director – Operational Services and Central Licensing Division; phone 517-241-2467; or [bruced9@michigan.gov](mailto:bruced9@michigan.gov)*.

Sincerely,

Signature Redacted

*Keith Creagh*  
Director

cc: Mr. Thomas H. McTavish, Auditor General  
Mr. Roger Kahn, M.D., Senate Appropriations Chair  
Mr. Charles Moss, House Appropriations Chair  
Mr. John E. Nixon, State Budget Director  
Ms. Ellen Jeffries, Director - Senate Fiscal Agency  
Ms. Mary Ann Cleary, Director - House Fiscal Agency  
Mr. David Bruce, MDARD, OSCL  
Mr. Steve Schneider, OIAS

**Financial Audit Including the Provisions of the Single Audit Act**  
**Michigan Department of Agriculture**  
**Summary of Agency Responses to Recommendations**  
**Audit Period: October 1, 2008 through September 30, 2010**

1. **Audit recommendation the agency complied with (findings #2, #3, #5):**

**Finding 79111102 – Market Protection and Promotion, CFDA 10.163**

- a) **Recommendation:** We recommend that MDARD improve its internal control to ensure that the Market Protection and Promotion Program complies with federal laws and regulations regarding allowable costs/cost principles.
- b) **Corrective Action:** The indirect cost language used in three grant agreements was not the correct language and was inconsistent with the language used in all of the other grants that MDARD has with the U.S. Department of Agriculture. While the language indicated that only salaries and benefits could be charged to the indirect costs for the program, the budget for the grant was prepared using total costs. MDARD's indirect cost negotiation agreement was negotiated using total direct costs (minus any capital expenditures, pass-through funds, subcontracts, and other extraordinary items). As soon as this inconsistency in language was brought to the attention of the U.S. Department of Agriculture, it confirmed that the grant agreements did not contain the correct language and affirmed that MDARD will not have any disallowed costs.
- c) **Dated Completed:** June 30, 2011

**Finding 79111103 – Environmental Quality Incentives Program, CFDA 10.912**

- a) **Recommendation:** We recommend that MDARD improve its internal control to ensure that EQIP complies with federal laws and regulations regarding sub-recipient monitoring.
- b) **Corrective Action:** The Division contacts the federal agency to ensure that the Division has the correct *CFDA* program title, number, and grant award number for inclusion on all sub-recipient pass-through grants. Draft copies of all sub-recipient grants are reviewed by the program manager, budget manager, division director, and Operational Services Division representative to ensure compliance with policy and regulations.
- c) **Date Completed:** June 30, 2011

**Finding 79111105 – Food and Drug Administration - Research, CFDA 93.103**

- a) **Recommendation:** We recommend that MDARD improve its internal control to ensure that the Food and Drug Administration - Research Program

complies with federal laws and regulations regarding allowable costs/cost principles.

- b) **Corrective Action:** The employee will certify his activity related to the federal grant either through direct entry into the payroll system or subsequent authorization. The supervisor will authorize a designated substitute to approve time in the event of the supervisor's absence.
- c) **Dated Completed:** June 30, 2011

**2. Audit recommendations the agency agrees with and will comply with (findings #1, #4):**

**Finding 7911101 Schedule of Expenditures of Federal Awards (SEFA),**

- a) **Recommendation:** We again recommend that the Michigan Department of Agriculture and Rural Development (MDARD) enhance its internal control to ensure the accurate presentation of expenditures in the SEFA in accordance with OMB Circular A-133 reporting standards.
- b) **Corrective Acton:** MDARD and the Accounting Service Center will review and update the process for coding sub-recipient and vendor payments made from federal funds as necessary. The Accounting Service Center will also provide guidance to MDARD's divisions regarding the difference between a vendor and a sub-recipient and what coding should be used when setting up purchase orders and making payments in the Michigan Administrative Information Network (MAIN) to properly reflect amounts on the SEFA.
- c) **Dated to be Completed:** September 30, 2012

**Finding 7911104 National Farmworker Jobs Program, CFDA 17.264**

- a) **Recommendation:** We recommend that MDARD improve its internal control to ensure that NFJP complies with federal laws and regulations regarding sub-recipient monitoring.
- b) **Corrective Action:** MDARD will:
  - (1) Work with the U.S. Department of Labor - Wage and Hour Division to provide prevailing wage information to all sub-recipients;
  - (2) Require the use of form WH-347 for payroll certification in sub-recipient grant agreements;
  - (3) Modify sub-recipient grant requirements to indicate the failure to pay prevailing wages as grounds for cancelation of sub-recipient grants with no payment for accrued expenditures;

- (4) Review weekly payroll certification for payment of prevailing wages during the construction receipt review and payment request authorization process; and
- (5) Retain copies of form WH-347 for three years following sub-recipient grant payment.

**c) Date to be Completed:** September 30, 2012

**3. Audit recommendations the agency disagrees with:**

None.