



STATE OF MICHIGAN

DEPARTMENT OF MILITARY & VETERANS AFFAIRS
LANSING

RICK SNYDER
GOVERNOR

MG GREGORY J. VADNAIS
THE ADJUTANT GENERAL AND DIRECTOR

March 29, 2012

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, attached are a summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's Single Audit Report (#511-0100-08F) of the Department of Military and Veterans Affairs for the period October 1, 2005 through September 30, 2007.

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

Sincerely,

Signature Redacted

Alfred E. Christian
Interim Chief Financial Officer

Enclosure

cc: Executive Office
Office of Auditor General
House Fiscal Agency
Senate Fiscal Agency
House Appropriations Sub-Committee Military and Veterans Affairs
Senate Appropriations Sub-Committee State Police and Military Affairs

Department of Military and Veterans Affairs
Summary of Agency Responses to Recommendations
Report Number 511-0100-08F
Audit Period October 1, 2005 – September 30, 2007

1. Audit recommendations the agency complied with:

Finding #5110801F – Schedule of Federal awards (SEFA)

- The Department has taken steps to ensure that all federal awards are properly identified and accounted for on the SEFA and has established procedures to ensure that the Department prepares its SEFA in accordance with OMB Circular A-133 and State financial management policies. The Department prepared the 2005-06 and 2006-07 SEFA on the modified accrual basis of accounting.

Finding #5110802F – Federal Reimbursements

- The Department requested and received advance payments for Army National Guard program appendices and Air National Guard program appendices. These advances were for salary & wage only. However, the process for receiving advances for Air National Guard appendices took longer than the reimbursements process. In FY12 Department of Defense-National Guard Bureau has established a new financial, asset and accounting management system. Their General Fund Enterprise Business System (GFEBS) advance process is cumbersome and does not easily allow for advances. As a result, the Department will use the reimbursement process for all appendices of the Master Cooperative Agreement.

Finding #5110803F – Internal Control Over Accounting Transactions

- The Department has re-affirmed with staff the importance of separation of duties and how segregation of these two functions help guard against unintentional errors. Additional staff has been assigned in an effort to eliminate instance of the same individual initiating and releasing accounting transactions. The Department will initiate periodic reviews through the use of data queries and other methods to ensure compliance. Should an emergency situation should arise where an individual employee must enter and release a payment document the reason must be noted on the payment document.

Finding #5110804F – Internal Control Over Food Purchases and Receipt

- The Department has strengthened its internal control process to ensure that all necessary documentation relative to the purchase, receipt, and authorization of food items is in place.

Finding #5110805F – Internal Control Over Record Retention

- The Department has developed and implemented an internal control policy and procedure to ensure that the hard copy of accounting records are stored and destroyed in compliance with State of Michigan records retention schedules.

Finding #5110806F – Internal Control Over Procurement

- With the rollout and implementation of the State of Michigan’s online bidding system and the requirement effective December 1, 2009, for all bids to be formally placed on this website, any vendors who are formally placed for bid on this website, any vendors who are formally debarred will “not” be able to submit bids through website.

Finding #5110807F – Military Construction, National Guard, CFDA 12.400

- A collaborative effort with the federal awarding agency, United States Property and Fiscal Office – Michigan (USPFO), the federal program manager and DMVA has been initiated and we have developed a process to address the finding.

Finding #5110808F – National Guard Military Operations and Maintenance (O&M) Projects CFDA 12.401

- A collaborative effort with the federal awarding agency (USPFO), the federal program managers and DMVA has been initiated and we have developed a process to address the finding. We are constantly working with USPFO and other federal program managers to help ensure that all parties understand their duties and responsibilities regarding compliance with final accounting memorandums closing out the grant award year.

Finding #5110809F – National Guard Civilian Youth Opportunities CFDA 12.404

- We obtained the semi-annual certifications for the audit period. The certifications have been signed by the supervisory office having first hand knowledge of the work performed by the cadre staff. Challenge employees now use the State of Michigan’s Data Collection and Distribution System (DCDS) to record their hours worked.
- The Department has updated its desk operating procedures to ensure compliance with monthly reporting requirements and period of availability requirements for the Challenge program.
- Regarding subrecipient monitoring, we have established a procedure to document our annual on-site visits and our monthly review of STARBASE reimbursement requests. The Department has also documented our monitoring process to ensure review of the required audit reports. Discrepancies in the audit reports are investigated and communication with the subrecipient is established to reconcile the discrepancy.

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

NONE

3. Audit recommendations the agency disagrees with:

NONE