INTRODUCTION

This report contains the results of our financial audit, including the provisions of the Single Audit Act, of the Department of Labor and federal programs within the Bureau of Employment Training and Community Services, Michigan Jobs Commission, for the period October 1, 1992 through September 30, 1994.

AUDIT PURPOSE

This financial audit of the Department was conducted as part of the constitutional responsibility of the Office of the Auditor General and is required on a biennial basis by Act 251, P.A. 1986, to satisfy the requirements of the Single Audit Act of 1984 and Office of Management and Budget Circular A-128, Audits of State and Local Governments.

BACKGROUND

The Department of Labor was created by the Executive Organization Act of 1965. Responsibilities related to federal grant management are shared by the Bureau of Departmental Services and the units administering the federal grants.

The Department's mission is to provide quality services by promoting and regulating rights, benefits, and safety in the workplace; ensuring safe buildings; and advocating equal
opportunities for people with disabilities. Major activities include Statewide construction code enforcement, annual boiler and elevator inspections, workplace safety inspections and safety training programs, and programs for the State's handicapper population.

For fiscal year 1993-94, the Department, excluding the Michigan Employment Security Commission (MESC), had expenditures and operating transfers totaling approximately $70 million. As of September 30, 1994, the Department (excluding MESC) had 952 employees, of whom 729 were permanent classified employees.

The Michigan Jobs Commission (MJC) was created by Executive Order No. 1993-2 as a temporary agency. Executive Order No. 1993-4 transferred programs and funds from several departments, including the Department of Labor, to MJC. As part of this reorganization, the Bureau of Employment Training and Community Services and its federal programs were transferred from the Department of Labor to MJC. Subsequent to our audit period, MJC received department status.

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**AUDIT OBJECTIVES AND CONCLUSIONS**

**Audit Objective:** To assess the adequacy of the Department's internal control structure, including applicable administrative controls related to the management of federal financial assistance programs.

**Conclusion:** Our assessment of the internal control structure did not disclose any material weaknesses. However, our audit did disclose reportable conditions pertaining to documentation supporting costs charged to federal programs, allowability of costs charged to federal grants, accuracy of federally required
program reports, timeliness of deposits, expenditure processing, and equipment tagging (Findings 1 through 6).

Also, our assessment indicated that the Department was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control.

**Audit Objective:** To assess the Department's compliance with both State and federal laws and regulations that could have a material effect on either the Department's financial schedules or any of its major federal financial assistance programs. **Conclusion:** Our assessment of the Department's compliance with laws and regulations did not disclose any instances of noncompliance that could have a material effect on the Department's financial schedules or any of its major federal financial assistance programs. However, we noted a reportable condition involving the Department's vocational rehabilitation case file documentation (Finding 7).

**Audit Objective:** To audit the Department's financial schedules for the fiscal years ended September 30, 1994 and September 30, 1993.

**Conclusion:** We expressed an unqualified opinion on the Department's financial schedules for the fiscal years ended September 30, 1994 and September 30, 1993.

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**AUDIT SCOPE**

Our audit scope was to examine the financial and other records of the Department of Labor and federal programs within the
Bureau of Employment Training and Community Services, Michigan Jobs Commission, for the period October 1, 1992 through September 30, 1994. Our audit was conducted in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

We separately audited and reported on the Department of Labor's Safety Education and Training Fund; State Construction Code Fund; Silicosis, Dust Disease, and Logging Industry Compensation Fund; Second Inquiry Fund; and Self-Insurers' Security Fund.

Our audit objective for the assessment of the internal control structure included an evaluation of the Department's implementation of the requirements for establishing and maintaining systems of internal accounting and administrative control, as set forth in Sections 18.1483 - 18.1488 of the Michigan Compiled Laws.

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**AGENCY RESPONSES AND PRIOR AUDIT FOLLOW-UP**

Our audit report contains 7 findings and 8 corresponding recommendations. The preliminary responses from both departments indicated that they agreed with our findings and either will take or have taken steps to implement all the recommendations.

The Department of Labor complied with 10 of the 11 prior audit recommendations included within the scope of our current audit. One recommendation is repeated in this report.