

Office of the Auditor General
Preliminary Survey Summary

Wage and Hour Program
Department of Licensing and Regulatory Affairs

April 2016

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

Article IV, Section 53 of the Michigan Constitution



OAG

Office of the Auditor General

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Doug A. Ringler, CPA, CIA
Auditor General

April 6, 2016

Mr. Mike Zimmer, Director
Department of Licensing and Regulatory Affairs
Ottawa Building
Lansing, Michigan

Dear Mr. Zimmer:

I am pleased to provide this preliminary survey summary of the Wage and Hour Program, Department of Licensing and Regulatory Affairs. Because we did not identify significant concerns that would warrant the additional use of our audit resources, we have decided to terminate this performance audit.

We appreciate the courtesy and cooperation extended to us during our preliminary survey. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

A handwritten signature in black ink that reads 'Doug Ringler'. The signature is written in a cursive, slightly slanted style.

Doug Ringler
Auditor General

PRELIMINARY SURVEY SUMMARY

WAGE AND HOUR PROGRAM

RESULTS

Our preliminary survey did not identify significant concerns that would warrant the additional use of our audit resources to complete a performance audit. Therefore, we have terminated this project and did not conduct sufficient testing to conclude on the Wage and Hour Program's (WHP's) overall effectiveness and efficiency.

FACTORS IMPACTING AUDIT TERMINATION

- For complaints received during the period reviewed, WHP closed 72% within 90 days, 90% within 180 days, and 97% within 1 year.
- For complaints reviewed, WHP's documentation supported its final decisions and payments to complainants.
- Prevailing wage rate schedules reviewed were timely and accurately prepared.
- Educational visits were performed as required.

BACKGROUND

Description: WHP's mission is to provide public service through the fair, effective, and efficient administration of laws that protect the wages and fringe benefits of Michigan's workers.

WHP receives and investigates complaints alleging violation of:

- Public Act 390 of 1978 - Payment of Wages and Fringe Benefits.
- Public Act 138 of 2014 - Workforce Opportunity Wage Act.
- Public Act 166 of 1965 - Prevailing Wages on State Projects.

During the period October 1, 2013 through February 29, 2016, WHP received 9,566 complaints (see supplemental information for complaints received by regulatory act and fiscal year) and closed 11,211. WHP also received approximately 100 phone calls per day and 1,400 e-mail messages requesting information during the period reviewed. Nearly 39% of the closed complaints resulted in an identified violation.

In addition, WHP annually prepares prevailing wage schedules, by county, for use on State-funded or State-sponsored projects, based on information submitted by the various associations and unions.

Expenditures: WHP expended \$3.5 million during each of fiscal years 2014 and 2015. These expenditures were fully supported by State corporation and securities fees.

Employees: As of February 29, 2016, WHP had 29 employees.

SCOPE

Our preliminary survey generally covered the period October 1, 2013 through February 29, 2016 and included a limited review of the following activities:

- WHP's processes related to complaints received:
 - Propriety of investigations or decision to not investigate.
 - Timeliness of investigations.
 - Appropriate documentation.
- WHP's processes to ensure the timely and accurate preparation of the prevailing wage rate schedules.
- WHP's processes to ensure that investigators completed and documented required educational visits.

PURPOSE

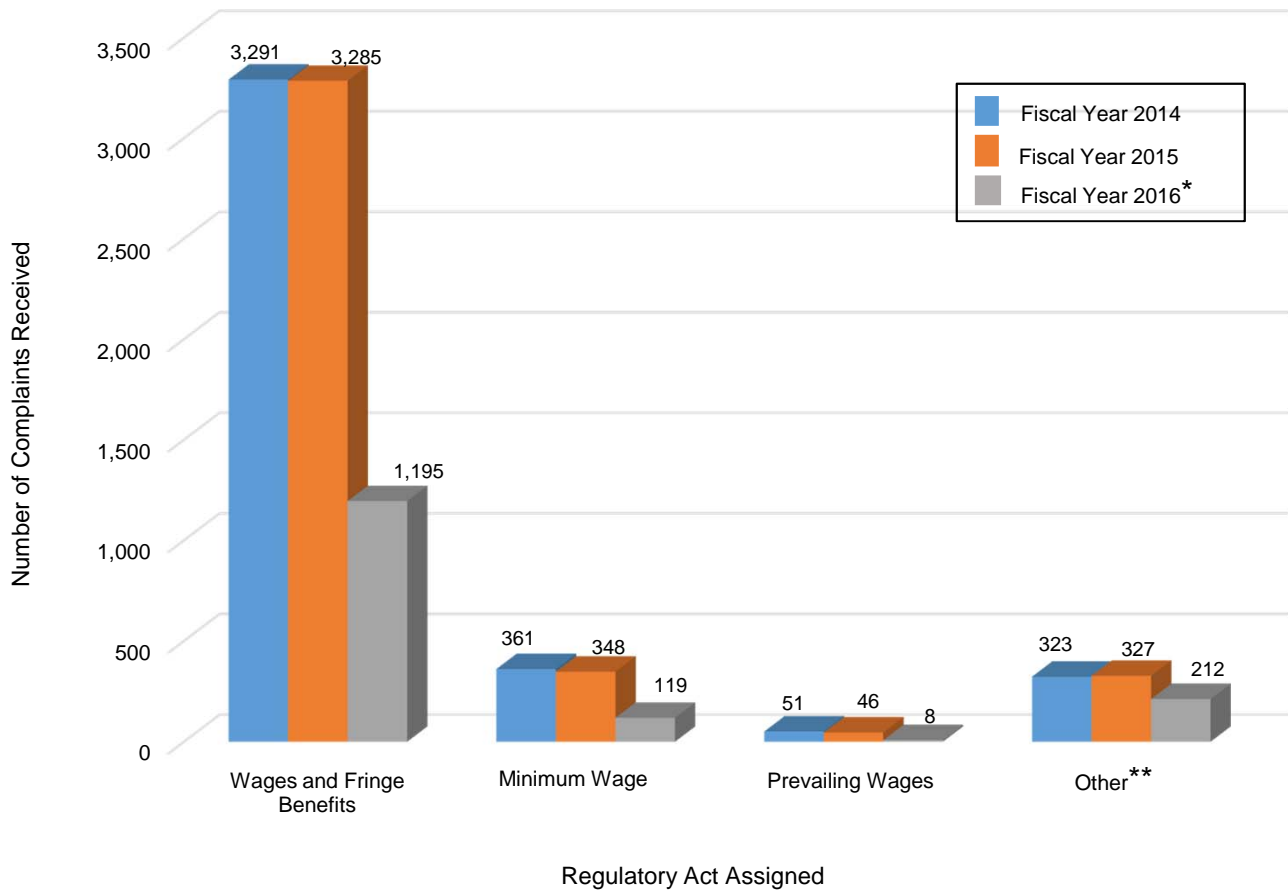
Within a performance audit, we design the preliminary survey to obtain an understanding of the core activities within an entity or a program and to identify potential program improvements and/or deficiencies that could impair management's ability to conduct its operations in an effective and efficient manner. If the results of a preliminary survey do not identify significant concerns, our practice is to terminate the planned performance audit.

Preliminary survey procedures are limited in nature and should not be considered a completed performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, our preliminary survey procedures would not necessarily disclose the presence or absence of any material conditions and/or reportable conditions. Given that the procedures we employed did not constitute a performance audit, we will not issue a performance audit report and we do not express conclusions regarding the effectiveness or efficiency of WHP.

SUPPLEMENTAL INFORMATION

UNAUDITED

WAGE AND HOUR PROGRAM Department of Licensing and Regulatory Affairs (LARA) Complaints Received by Regulatory Act and Fiscal Year October 1, 2013 through February 29, 2016



* Fiscal year 2016 data is through February 29, 2016.

** "Other" includes 793 complaints that were closed as incomplete or withdrawn prior to assigning the related act and 69 complaints that had not yet been assigned an act.

Source: The Office of the Auditor General prepared this exhibit based on information provided by LARA.

