

EXECUTIVE DIGEST

DEPARTMENT OF AGRICULTURE

INTRODUCTION

This report contains the results of our financial audit*, including the provisions of the Single Audit* Act, of the Department of Agriculture for the period October 1, 1998 through September 30, 2000.

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 Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

BACKGROUND

The Department of Agriculture's mission* is to promote and protect the agricultural interests of the people of the State of Michigan. A five-member Commission of Agriculture is responsible for the general administration of the Department, including the appointment of the director. The Governor appoints the members of the Commission, with the advice and consent of the Senate, for four-year terms.

The Department's Finance and Technology Division is responsible for the Department's accounting functions and financial reporting. Responsibilities related to

administration of the Department's federal grants are shared by the operational divisions.

The Department's net expenditures and operating transfers out for the fiscal years ended September 30, 2000 and September 30, 1999 were \$82.3 million and \$70.8 million, respectively. As of September 30, 2000, the Department had 801 employees, of which 63 were seasonal employees.

AUDIT OBJECTIVES
AND CONCLUSIONS

Audit Objective: To audit the Department's financial schedules and to examine the schedule of expenditures of federal awards in relation to the Department's financial schedules for the fiscal years ended September 30, 2000 and September 30, 1999.

Conclusion: We expressed an unqualified opinion* on the Department's financial schedules. In addition, we expressed an unqualified opinion on the Department's schedule of expenditures of federal awards in relation to the financial schedules taken as a whole.

Audit Objective: To assess and report on the Department's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial schedules, and on its internal control* over financial reporting, based on our audit of the financial schedules.

Conclusion: Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial schedules. Also, our assessment of internal control

over financial reporting did not disclose any material weaknesses*. However, we identified reportable conditions* related to internal audit, cash management, procurement card* usage, encumbrances, and controls over Michigan Administrative Information Network* (MAIN) user access (Findings 1 through 5).

In addition, our assessment indicated that the Department was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1487 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control. However, we identified noncompliance with the requirements set forth in Sections 18.1483 - 18.1487 of the *Michigan Compiled Laws* related to internal audit (Finding 1).

Audit Objective: To assess and report on the Department's compliance with requirements applicable to each major federal program and on its internal control over compliance in accordance with OMB Circular A-133.

Conclusion: We issued an unqualified opinion on the Department's compliance with requirements applicable to each major federal program. However, our assessment disclosed instances of noncompliance related to personnel-payroll cost distributions and cash management that are required to be reported in accordance with OMB Circular A-133 (Findings 6 and 7). **Also, our assessment of internal control over compliance applicable to each major federal program did not disclose any material weaknesses.** We did identify reportable conditions related to personnel-payroll cost distributions, cash management, and procurement card usage (Findings 6 through 8).

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Department of Agriculture for the period October 1, 1998 through September 30, 2000. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

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

Our audit report contains 6 findings and 6 corresponding recommendations. The Department's corrective action plan indicates that it agrees with the recommendations and plans to implement them.

As disclosed in the Department's summary schedule of prior audit findings, the Department fully corrected 5 of the 8 prior Single Audit findings and did not correct or partially corrected 3 findings. Two prior recommendations are repeated in this audit report (Findings 2 and 3).