

## EXECUTIVE DIGEST

### DEPARTMENT OF PUBLIC HEALTH

---

**INTRODUCTION** This report contains the results of our financial audit, including the provisions of the Single Audit Act, of the Department of Public Health (DPH) for the period October 1, 1993 through September 30, 1995.

**AUDIT PURPOSE** This financial audit of DPH 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 mission\* of DPH was to provide for the general supervision of the health and physical well-being of Michigan citizens. The Bureau of Finance and Administrative Services was responsible for DPH's accounting and financial reporting. The Bureau and the divisions carrying out the grant activities shared responsibility for federal grant management. DPH became part of the Department of Community Health (DCH) effective April 1, 1996.

The financial transactions of DPH were accounted for principally in the General Fund. DPH had expenditures and operating transfers totaling \$586,934,289 for fiscal year 1994-95. As of September 30, 1995, DPH had 1,391 full-time equated employees.

---

**AUDIT  
OBJECTIVES  
AND  
CONCLUSIONS**

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

**Conclusion:** Our assessment of DPH's internal control structure disclosed the following material weakness\*:

- DPH did not have sound internal controls over its cash receipts functions, including the assignment of multiple user classes\* which were incompatible under control procedures of the State's central accounting system (Finding 1).

DCH agreed with the corresponding recommendations and informed us that it will implement a centralized receipting and reporting system by September 1, 1997.

In addition, our assessment indicated that DPH was not in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* pertaining to its internal audit functions. DPH's internal auditor did not perform audits relating to financial activities of

DPH operations or develop a formal audit plan and have it approved by the director (Finding 4).

Our assessment also disclosed other reportable conditions\* related to cash receipts, subrecipient\* monitoring, controls over prior authorizations, payroll controls, time and attendance controls, and Personnel-Payroll Information System for Michigan access controls (Findings 1 through 3 and 5 through 7).

**Audit Objective:** To assess DPH's compliance with both State and federal laws and regulations that could have a material effect on either DPH's financial schedules or any of its major federal financial assistance programs.

**Conclusion:** Our assessment of compliance with laws and regulations did not disclose any instances of noncompliance that could have a material effect on DPH's financial schedules or any of its major federal financial assistance programs. However, we noted noncompliance in the area of subrecipient monitoring (Finding 2).

**Audit Objective:** To audit DPH's financial schedules for the fiscal years ended September 30, 1995 and September 30, 1994.

**Conclusion:** We expressed an unqualified opinion on DPH's financial schedules for the fiscal years ended September 30, 1995 and September 30, 1994.

---

**AUDIT SCOPE**

Our audit scope was to examine the financial and other records of the General Fund operations of the Department of Public Health for the period October 1, 1993 through September 30, 1995. 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.

The Gifts, Bequests, and Deposits Investment Fund, which includes assets and revenues from donations for the Children's Special Health Care Services Program, and DPH's portion of the State Building Authority Advance Financing Fund are audited separately. Therefore, they are not included in this audit.

Our audit objective for the assessment of the internal control structure included an evaluation of DPH'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*.

---

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

Our audit includes 7 findings and 12 corresponding recommendations. DCH agreed with all the recommendations and informed us that it will comply with them.

DPH complied with 10 of the 12 prior audit recommendations included within the scope of our current audit. In addition, we noted that DPH, although agreeing with the items, had not returned the funds identified as questioned costs in the prior audit.