

EXECUTIVE DIGEST

MICHIGAN JOBS COMMISSION

INTRODUCTION

This report contains the results of our financial audit^{*}, including provisions of the Single Audit Act, of the Michigan Jobs Commission (MJC) for the period October 1, 1994 through September 30, 1996.

AUDIT PURPOSE

This financial audit of MJC 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 federal Office of Management and Budget Circular A-128, *Audits of State and Local Governments*.

BACKGROUND

MJC was created as a temporary agency by Executive Order 1993-2, effective on March 1, 1993. MJC was later made a permanent State department by Executive Order 1994-26, effective on February 27, 1995. Through fiscal year 1994-95, administrative support functions for MJC programs were provided primarily by the Departments of Commerce, Labor, and Education.

MJC was established to promote and administer programs designed to foster economic expansion and workforce development in the State of Michigan. MJC's purpose is also to ensure that there will be maximum coordination, accountability, and performance related measures with

respect to these programs.

MJC is headed by a chief executive officer, who also serves as department director. Executive Order 1994-26 also established the Michigan Jobs Commission Board. The Board, which consists of up to 25 voting members appointed by the Governor, was established to advise the Governor and MJC's chief executive officer on matters regarding economic and workforce development policy.

Executive Order 1993-94, effective May 3, 1993, transferred several programs from the Department of Labor to MJC, including the Community Services Block Grant, the Weatherization Program, and the Bureau of Employment Training and Community Services. Executive Order 1993-20, effective January 1, 1994, transferred Michigan Rehabilitation Services from the Department of Education to MJC. Executive Order 1994-26, effective February 27, 1995, transferred several additional programs to MJC, including the Community Development Block Grant, the Michigan Strategic Fund, and the K.I. Sawyer Base Conversion Authority. Executive Order 1995-92, effective March 2, 1995, transferred several programs from MJC to the Family Independence Agency, including the Community Services Block Grant and the Weatherization Program.

MJC's major funding sources were the State's General Fund and the U.S. Departments of Education, Health and Human Services, Housing and Urban Development, and Labor.

MJC's General Fund expenditures (which included MJC's federally funded expenditures) and operating transfers out

were approximately \$354.9 million and \$280.8 million for fiscal years 1995-96 and 1994-95, respectively.

As of September 30, 1996, MJC had 1,066 employees.

**AUDIT OBJECTIVES
AND CONCLUSIONS**

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

Conclusion: Our assessment of MJC's internal control structure did not disclose any material weaknesses*. However, we did identify reportable conditions* relating to common control functions, such as cash management, federal financial reporting, Personnel-Payroll Information System for Michigan, and cash receipts (Findings 1, 2, 6, and 7). Our assessment also disclosed reportable conditions relating to MJC's internal control structure over its grants management functions, including subrecipient* monitoring, personnel-payroll cost allocations, and purchasing practices (Findings 3 through 5).

In addition, our assessment disclosed that MJC 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 MJC's compliance with both State and federal laws and regulations that could have a material effect on either MJC's financial schedules or any of its major federal financial assistance programs.

Conclusion: Our assessment did not disclose any noncompliance with laws and regulations that could have

a material effect on MJC's financial schedules or any of its major federal financial assistance programs.

Our audit disclosed questioned costs* totaling at least \$2,536,003 and negative questioned costs* totaling \$581,000 for the two-year period ended September 30, 1996, which are presented as supplemental information in the schedule of questioned costs.

Audit Objective: To audit MJC's financial schedules for the fiscal years ended September 30, 1996 and September 30, 1995.

Conclusion: We expressed an unqualified opinion on the financial schedules for the fiscal years ended September 30, 1996 and September 30, 1995. However, we did note a reportable condition pertaining to equipment inventory controls and financial reporting (Finding 8).

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Michigan Jobs Commission for the period October 1, 1994 through September 30, 1996. 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.

MJC operations also included the Michigan Strategic Fund and MESA, which are audited and reported on separately.

Our audit objective for the assessment of the internal control structure included an evaluation of MJC'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 report contains 8 findings and 11 corresponding recommendations. The agency's preliminary response indicated that MJC agreed with 10 recommendations and disagreed with 1 recommendation. In addition, the agency's preliminary response indicated that MJC will take or has taken steps to implement the recommendations with which it concurred.

MJC had complied with the 4 recommendations from the prior audits of the Department of Labor and the Department of Commerce pertaining to programs currently administered by MJC.

MJC had also complied with 5 of the 6 recommendations from the prior audit of the federal programs of Michigan Rehabilitation Services (an MJC program previously administered by the Department of Education). One recommendation is repeated in this report.