

## EXECUTIVE DIGEST

# DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

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### INTRODUCTION

This report contains the results of our financial audit\*, including the provisions of the Single Audit Act, of the Department of Military and Veterans Affairs for the period October 1, 1997 through September 30, 1999.

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### 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*.

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### BACKGROUND

The Department of Military and Veterans Affairs is responsible for training the Michigan National Guard to ensure military preparedness and for operating and maintaining military training sites and support facilities. In addition, the Department oversees grants to 12 veterans' service organizations in accordance with the appropriations acts.

The Department is also responsible for the supervision and direction of the Grand Rapids Home for Veterans and

the D.J. Jacobetti Home for Veterans, which provide domiciliary and nursing care to aged and disabled military veterans.

In addition, the Department is responsible for the supervision and direction of the Michigan Veterans' Trust Fund. The Fund provides grants to assist veterans and their dependents. The Fund also provides administrative support for the Vietnam Veterans' Memorial Monument Fund. Responsibilities related to the administration of federal awards are shared by the Office of Financial Services and the Construction and Facilities Management Office.

For fiscal year 1998-99, the Department's total General Fund expenditures and operating transfers were \$86,452,871. As of September 30, 1999, the Department had 991 employees.

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AUDIT OBJECTIVES  
AND CONCLUSIONS

**Audit Objective:** To audit the Department's financial schedules, including the schedule of expenditures of federal awards, for the fiscal years ended September 30, 1999 and September 30, 1998.

**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, and its other supplemental financial schedules, 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 a reportable condition\* related to the schedule of expenditures of federal awards (Finding 1).**

**In addition, 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 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: Our assessment of compliance applicable to the Department's major federal program did not disclose any instances of noncompliance that are required to be reported in accordance with OMB Circular A-133. Also, our assessment of internal control over compliance applicable to the Department's major federal program did not disclose**

**any material weaknesses.** However, we identified a reportable condition related to the schedule of expenditures of federal awards (Finding 2).

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**AUDIT SCOPE AND  
METHODOLOGY**

Our audit scope was to examine the financial and other records of the Department of Military and Veterans Affairs for the period October 1, 1997 through September 30, 1999. Our audit was conducted in accordance with generally accepted auditing standards; 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.

We also followed up on the audit findings and recommendations reported in the prior financial related audit of the Department of Military and Veterans Affairs. The Department complied with all 3 of the prior recommendations that were included in the scope of our current audit.

The scope of this audit did not include the Michigan Veterans' Trust Fund and the Vietnam Veterans' Memorial Monument Fund, which we audit separately. These Funds did not administer any federal financial assistance programs.

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

Our audit report contains one finding and one corresponding recommendation. The Department's corrective action plan indicates that it agrees with the recommendation and plans to implement it.

As disclosed in the Department's summary schedule of prior audit findings, there were no findings or recommendations in the Department's prior Single Audit\* report.