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ALGER COUNTY FIA

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INTRODUCTION

The Office of Internal Audit performed an audit of Alger/Schoolcraft County FIA for the period October 1, 1999 through October 7, 2000. The objective of our audit was to determine if internal controls in place at the local offices provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Alger/Schoolcraft County FIA had 32 full time equated positions (FTE's) at the time of our review. Alger/Schoolcraft County FIA provided assistance to an average 1,325 recipients per month in FY 1999, with total assistance payments of \$1,454,676 for the fiscal year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Alger/Schoolcraft County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts	Cash Disbursements
General Ledger	Modified Accrual Basis Balance Sheet
Safe and Controlled Documents	Food Stamp Inventory and Issuance
Medical Transportation	State Emergency Relief (SER)
Employment Support Services	Client Processing
CIS/ASSIST	IRS Information Security
Payroll and Timekeeping	Procurement Card
Telephone Usage	Child Well Being

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Alger/Schoolcraft County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. However, CIS/ASSIST controls need improvement to strengthen controls.

Alger/Schoolcraft County FIA implemented corrective action for items 1-4, and 9 while the auditor was on-site.

LOCAL OFFICE RESPONSE

The management of Alger/Schoolcraft County FIA has reviewed all findings and recommendations in this report. They indicated in a memorandum dated November 30, 2000 that they are in general agreement with the report.

ALGER/SCHOOLCRAFT COUNTY FIA

COMMON RECOMMENDATIONS FOR IMPROVED INTERNAL CONTROLS

The following are areas where we have identified a common control weakness at Alger/Schoolcraft County FIA, and we are recommending a change in procedure to reduce the risk associated with the control weakness.

CIS/ASSIST

Client Information System (CIS) Status Codes

1. Alger/Schoolcraft County FIA had assigned Client Information System (CIS) status codes that were inconsistent with staff job responsibilities. The reception staff at Alger/Schoolcraft County FIA had been assigned "CRS" status on CIS.

Internal Control criteria established by the Family Independence Agency states that staff with ASSIST registration capability should not have CIS file maintenance capability.

Assigning CIS status codes to allow staff access to transactions that are inconsistent with their job functions or responsibility increases the risk of unauthorized transactions being processed.

WE RECOMMEND Alger/Schoolcraft County FIA change the CIS status codes of the reception staff to Inquiry (INQ) or “IRG” status on CIS, or have independent staff review all transactions for the reception staff that appear on the MA010 report.

Client Information System (CIS) Enrollment Profile/Security Agreements

2. Alger/Schoolcraft County FIA did not have current and accurate CIS Security Agreements (FIA3974A) on file for employees who access the Client Information System. A CIS Enrollment Profile/Security Agreement (FIA3974A) could not be located for ten staff at Schoolcraft County FIA and twelve staff at Alger County FIA. The status code on the FIA3974A for one staff at Schoolcraft County FIA and two staff at Alger County FIA did not agree with the status code listed on the Operator Identification Report (PF011).

CIS Security Policy L-Letter L-97-063 requires an FIA3974A to be prepared for all new users of CIS and for all current operators each time an enrollment change is proposed.

WE RECOMMEND Alger/Schoolcraft County FIA determine the correct status for the staff that had a status on the FIA3974A different than that reported on the PF011 and obtain new FIA3974As or change their status on CIS.

WE ALSO RECOMMEND Alger/Schoolcraft County FIA obtain a FIA3974A for the staff that did not have a FIA3974A on file.

Incompatible ASSIST Job Types

3. Alger/Schoolcraft County FIA had assigned ASSIST job types that were incompatible. One staff at Schoolcraft County FIA had job type 280 (Family Independence Manager) and 370 (Registration Support Supervisor) on ASSIST. Four staff Alger County FIA, two Family Independence Specialists and two Eligibility Specialists had job type 240 (Eligibility Specialist) and 360 (Registration Support Clerk) job type functions.

Internal Control Criteria dated May 2000, page 11, states that no one person should have 240/270/280/ and 360 or 370 ASSIST job types.

Assigning staff ASSIST job types that allows them to register and open cases on ASSIST does not allow for the proper separation of duties.

WE RECOMMEND Alger/Schoolcraft County delete the 240 (Eligibility Specialist) ASISST job type from the Schoolcraft County staff that has the 370 (Registration Support Supervisor) status and delete the 360 (Registration Support Clerk) status from the Alger County FIA Family Independence Specialist and Eligibility Specialist ASSIST job type profiles

ASSIST Enrollment Profile (FIA3720) and Security Agreements (FIA3721)

4. Alger/Schoolcraft County FIA did not have current and accurate ASSIST Enrollment Profiles (FIA3720) or Security Agreements (FIA3721) on file for employees enrolled on ASSIST. ASSIST Enrollment Profile forms for ten Schoolcraft County FIA staff and ten Alger County FIA staff could not be located. ASSIST Security Agreement (FIA3721)

could not be located for nine staff at Schoolcraft County FIA and eleven staff at Alger County FIA.

CIS Security Policy L-Letter L-97-063 requires an FIA3720 and FIA3721 to be prepared for all new users of ASSIST and for all current operators each time an enrollment change is proposed.

WE RECOMMEND Alger/Schoolcraft County FIA obtain ASSIST Enrollment Profile forms (FIA3720) and ASSIST Security Agreements (FIA3721) for the staff that do not have them on file.

Secure Storage of Backup Tapes

5. Alger/Schoolcraft County FIA did not maintain backup production and operating system tapes in a secure off-site location. The backup tapes were stored in the Information Technology Technician's car trunk. This is done so that the backup tapes are readily accessible. However, storage in a car trunk increases the risk of damage to the tapes in relation to offsite storage in a building.

WE RECOMMEND Alger/Schoolcraft County FIA review its offsite storage policy of backup production and system operating tapes to determine if there are any offsite permanent locations that can be used for off site storage.

SCHOOLCRAFT COUNTY FIA

FINDINGS AND RECOMMENDATIONS

The following are areas where we found that Schoolcraft County FIA had a control weakness or was not operating in accordance with FIA policies and procedures that are described in manuals or instructional letters.

Cash Receipts

Mail Opening

6. Schoolcraft County FIA did not establish adequate control over negotiable instruments received in the mail. One staff would open and set mail containing negotiable instruments aside or, if the mail was in a Schoolcraft County FIA return envelope and it could be determined that it contained a negotiable instrument, the envelope was set aside unopened. Two staff would then open the envelopes not initially opened and record all negotiable instruments on the mail list.

Internal Control Criteria dated May 2000; page 31, and Accounting Manual 431, page 1 requires two staff to open the mail.

WE RECOMMEND Schoolcraft County FIA have two staff open and sort mail as required by the Internal Control Criteria and Accounting Manual 431.

Cash Disbursements

No findings in this area.

General Ledger

No findings in this area.

Modified Accrual Basis Balance Sheet

No findings in this area.

Safe and Controlled Documents

Voucher Checks (FIA1802) for the Local Office Automated Accounting System

7. Schoolcraft County FIA has 744 Voucher Checks (FIA1802) in inventory that were used with the Local Office Automated Accounting System (LOAAS). With the implementation of the Local Accounting System Replacement (LASR) these checks are obsolete.

Accounting Manual 403 pages 9 and 10 describes the procedures that are to be followed to destroy controlled documents.

WE RECOMMEND Schoolcraft County FIA destroy the Blank Voucher checks (FIA1802) according to the procedures detailed in Accounting Manual 403.

Food Stamp Inventory and Issuance

No findings in this area.

Medical Transportation

No findings in this area.

State Emergency Relief

No findings in this area.

Employment Support Services

No findings in this area.

Client Processing

No findings in this area.

CIS/ASSIST

MA-010 Reconciliation

8. Schoolcraft County FIA did not reconcile the transactions listed on the MA010 (Transaction Control Report) to the casefile documentation, as required by CIS Security Policy and recommended by the Primary Internal Control Criteria for FIA. Reconciliation of the transactions listed on the MA010 Report provides assurance that the transactions are justified and accurate, based on case record documentation and eligibility.

WE RECOMMEND Schoolcraft County FIA reconcile the transactions listed on the MA010 Report to the case record documentation.

See Common Recommendations 1-5, pages 2-5.

IRS Information Security

No findings in this area.

Payroll and Timekeeping

Payroll Input on the Data Collection Distribution System (DCDS)

9. Schoolcraft County FIA had not established adequate control over the payroll process. The timekeeper for the Schoolcraft County FIA payroll certified the payroll on the Data Collection and Distribution System (DCDS) before the payroll was reviewed and approved by staff responsible for certifying the payroll.

Internal Control over the payroll process is improved when the status of the payroll is changed to “audited” on DCDS before the authorized certifier reviews and approves the Time and Attendance Summary Report (HR332A).

WE RECOMMEND Schoolcraft County FIA change the status of the payroll on the Data Collection Distribution System (DCDS) to “audited” before the authorized certifier has reviews and approves the payroll.

Changes to Payroll Timesheets Submitted to the Timekeeper

10. Schoolcraft County FIA staff preparing the Alger County FIA time report did not obtain supervisory approval for payroll changes. The Employee Time and Attendance Report (FIA4299) approved by supervision and submitted to the timekeeper was changed by the timekeeper based on staff information that was not approved by supervision. Changes were made and noted on the FIA4299, but there was no documentation or revised FIA4299 on file to document supervisory approval of a change.

Internal control over the payroll process is weakened when changes are made to the supervisory approved time sheets submitted to the timekeeper without obtaining supervisory approval.

WE RECOMMEND Schoolcraft County FIA require all payroll changes to be approved by supervisory staff before any changes are made and that documentation with the supervisor’s approval be included with the payroll documents.

Procurement Card

No findings in this area.

Telephone Usage

No findings in this area.

Child Well Being

No findings in this area.

ALGER COUNTY FIA

FINDINGS AND RECOMMENDATIONS

There were no areas where we found that Alger County FIA had a control weakness or was not operating in accordance with FIA policies and procedures that are described in manuals or instructional letters. The scope of our review at Alger County FIA was limited to the areas listed.

Cash Receipts

No findings in this area.

Cash Disbursements

No findings in this area.

Safe and Controlled Documents

No findings in this area.

Food Stamp Inventory and Issuance

No findings in this area.

Client Processing

No findings in this area.

CIS/ASSIST

See Common Recommendations 1-5, pages 2-5.

IRS Information Security

No findings in this area.

Payroll and Timekeeping

See Schoolcraft County FIA Recommendation 10, page 9.