

TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	1
EXECUTIVE SUMMARY	2
LOCAL OFFICE RESPONSE	2
FINDINGS AND RECOMMENDATIONS – COMPLIANCE	
IRS Control Data Sheet	2
Backup Designated Staff Person	3

INTRODUCTION

The Office of Internal Audit performed an audit of Livingston County FIA for the period October 1, 1998 through August 31, 1999. The objectives of our audit were to determine if internal controls in place at the local office 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. Livingston County FIA had 40 full time equated positions (FTE's) at the time of our review. Livingston County FIA provided assistance to an average 1,718 recipients per month during FY 1998, with total assistance payments of \$2,066,645 during that 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 the Livingston 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
Accounts Receivable	General Ledger
Modified Accrual Basis Balance Sheet	Safe and Controlled Documents
Food Stamp Inventory and Issuance	Medical Transportation
State Emergency Relief (SER)	Client Processing
IRS Information Security	CIS/ASSIST
Procurement Card	Payroll and Timekeeping
Telephone Usage	

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Livingston 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. We have two findings and recommendations related to IRS Information Security, which are detailed below.

LOCAL OFFICE RESPONSE

The management of Livingston County FIA has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated December 20, 1999 that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS

IRS Data Control Sheet

1. Livingston County FIA did not record the disposition of six Unearned Income Notices (FIA-4487A) retrieved from the IEVS system on the Internal Revenue Service Data Control Sheet. Program Administrative Manual Item 803 requires that the disposition of the items are to be recorded to ensure that disposition of the forms is proper and information obtained from the IRS remains confidential.

WE RECOMMEND that Livingston County FIA record the disposition of the FIA-4487A's on the Data Control Sheet.

Backup Designated Staff Person

2. Livingston County FIA did not have a backup Designated Staff Person (DSP) for IRS Security. The local office should have a backup DSP in case information is received on a day when the DSP is out of the office.

WE RECOMMEND that Livingston County FIA appoint a backup DSP for IRS information security.