

FINANCIAL AUDIT
OF THE
STATE TREASURER'S ANNUAL REPORT
DEPARTMENT OF TREASURY
October 1, 2001 through September 30, 2002



Michigan
Office of the Auditor General
REPORT SUMMARY

Financial Audit
State Treasurer's Annual Report
Department of Treasury
Fiscal Year Ended September 30, 2002

Report Number:
 27-252-03M

Released:
 June 2003

A financial audit determines if the financial schedules are fairly presented; considers internal control over financial reporting; and determines compliance with State compliance requirements material to the financial schedules. This financial audit of the State Treasurer's Annual Report was conducted as part of the constitutional responsibility of the Office of the Auditor General.

Financial Schedules:

Auditor's Report Issued

We issued an unqualified opinion on the State Treasurer's financial schedules. Our opinion and the financial schedules are included in the State Treasurer's Annual Report to be issued by the Department of Treasury.

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Internal Control Over Financial Reporting

We did not report any findings related to internal control over financial reporting.

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Noncompliance Material to the Financial Schedules

We did not identify any instances of noncompliance applicable to the financial

schedules that are required to be reported under *Government Auditing Standards*.

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Background:

The State Treasurer, under the authority provided by State statutes, is responsible for the investment activities and the safekeeping of assets of the State Police, State Employees', Public School Employees', and Judges' Retirement Systems; various trust funds; and the State's Common Cash pool. The State Treasurer is also responsible for accounting for the investment activities and the safekeeping of assets of the Legislative Retirement System.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: www.state.mi.us/audgen/



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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

June 17, 2003

Mr. Jay B. Rising
State Treasurer
Treasury Building
Lansing, Michigan

Dear Mr. Rising:

This is our report on the financial audit of the State Treasurer's Annual Report, Department of Treasury, for the period October 1, 2001 through September 30, 2002.

This report contains our report summary, independent auditor's report on compliance and on internal control over financial reporting, and a glossary of acronyms and terms. The independent auditor's report on the financial schedules is provided to the Department of Treasury separately for inclusion in the State Treasurer's Annual Report.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting

February 25, 2003

Mr. Jay B. Rising
State Treasurer
Treasury Building
Lansing, Michigan

Dear Mr. Rising:

We have audited the financial schedules of the State Treasurer as of and for the fiscal years ended September 30, 2002 and September 30, 2001 and have issued our report thereon dated February 25, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the State Treasurer's financial schedules are free of material misstatement, we performed tests of the Department of Treasury's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department of Treasury's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that

misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the State's management and the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR GENERAL

Glossary of Acronyms and Terms

financial audit	An audit that is designed to provide reasonable assurance about whether the financial schedules and/or financial statements of an audited entity are fairly presented in conformity with the disclosed basis of accounting.
internal control	A process, effected by management, designed to provide reasonable assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
material misstatement	A misstatement in the financial schedules and/or financial statements that causes the schedules and/or statements to not present fairly the financial position or the results of operations or cash flows in conformity with the disclosed basis of accounting.
material weakness	A reportable condition related to the design or operation of internal control that does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules and/or financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.
reportable condition	A matter coming to the auditor's attention relating to a significant deficiency in the design or operation of internal control that, in the auditor's judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules and/or financial statements.