



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

300 N. WASHINGTON SQ.
LANSING, MI 48913

CUSTOMER
ASSISTANCE CENTER
517 373 9808

WWW.THEMEDC.ORG

October 29, 2009

Mr. Doug Ringler, Director
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, MI 48913

EXECUTIVE COMMITTEE

MATTHEW P. CULLEN
Chair
Rock Ventures

PHILIP H. POWER
Vice-Chair
The Center for Michigan

D. GREGORY MAIN
President and CEO

RICHARD E. BLOUSE JR., CCE
Detroit Regional Chamber

JOHN W. BROWN
Stryker Corporation

DR. DAVID E. COLE
Center for
Automotive Research

JOANN CRARY
Saginaw Future Inc.

DR. HAIFA FAKHOURI
Arab American and
Chaldean Council

STEVEN K. HAMP
Hamp Advisors, LLC

PAUL HILLEGONDS
DTE Energy Company

GEORGE W. JACKSON JR.
Detroit Economic
Growth Corporation

BIRGIT M. KLOHS
The Right Place, Inc.

F. THOMAS LEWAND
Bodman LLP

STANLEY "SKIP" PRUSS
Michigan Department of Energy,
Labor & Economic Growth

DR. IRVIN D. REID
Wayne State University

SANFORD "SANDY" RING
Hino Motors
Manufacturing U.S.A., Inc.

MICHAEL B. STAEBLER
Pepper Hamilton LLP

PETER S. WALTERS
Guardian Industries Corp.

TODD A. WYETT
Versa Development, LLC

Dear Mr. Ringler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, the following identify our response and corrective action plan to address recommendations contained within the Office of the Auditor General's audit report of the Michigan Strategic Fund (October 1, 2006 through September 30, 2008):

Finding (2710901): the Michigan Strategic Fund's (MSF's) accrual methodology did not ensure that it recorded accrued expenditures and revenues at year end in accordance with generally accepted accounting principles. As a result, MSF did not record expenditures and revenues in the appropriate fiscal year and understated liabilities and receivables at year end.

MSF's Response: MSF agrees with the finding and the recommendation.

Corrective Action: MSF has made changes to internal processes and procedures for proactively estimating potential obligations where grantees have failed to provide sufficient accounts payable information.

Finding (2710902): MSF's internal control did not ensure that it obtained and reviewed sufficient supporting documentation for amounts calculated by another State agency related to purchase of a building, issuance of bonds and capital lease agreement with the Michigan House of Representatives.

MSF's Response: MSF agrees with the finding and recommendation.

Corrective Action: MSF has made proper accounting entries to correct the situation and will ensure independent verification of funds held in trust by third parties for future years.

Finding (2710903): MSF's internal control did not ensure that supervisors approved employee timesheets. In addition, MSF did not ensure that the payroll costs charged

Mr. Doug Ringler
October 29, 2009
Page 2

to federal programs were properly documented in accordance with federal compliance requirements.

MSF's Response: MSF agrees with the finding and recommendation.

Corrective Action: MSF has had the appropriate supervisor sign a separate biannual certification for employees charged to CDBG federal funds during the audit period. MSF has also instituted training and a policy requiring all managers to approve time in DCDS on a biweekly basis.

Questions regarding the summary table or corrective action plans should be directed to Juzer Modi at 517-241-0524; or modij1@michigan.org.

Sincerely,

Signature Redacted

Minesh Mody
Chief Financial Officer

cc: Executive Office
Office of the Auditor General
House Fiscal Agency
Senate Fiscal Agency

Michigan Strategic Fund
Summary of Agency Responses to Recommendations
October 2, 2006 through September 30, 2008

1. Audit recommendations the agency complied with:

OAG Finding # 2710903

2. Audit recommendations the agency agrees with and will comply:
OAG Finding # 2710901 and 2710902

Expected Date of Compliance: 12/31/2009

3. Audit recommendations the agency disagrees with: None