



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

Michigan Higher Education Assistance Authority
Department of Treasury
Summary of Agency Response to Recommendation
October 1, 2008 through September 30, 2009

FINDING

1. Controls Over Financial Reporting

The Michigan Higher Education Assistance Authority did not have sufficient procedures to ensure that late financial transactions were included in the financial statements. As a result, the Authority's draft financial statements for the governmental fund did not include two transactions that understated accounts receivable by \$800,000, deferred revenue by \$500,000, and revenue and net assets by \$300,000. The Authority corrected the draft financial statements.

Section 1100.114b of the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the Governmental Accounting Standards Board, provides that financial reports should be prepared covering all funds and activities of the entity. The Authority and the Department of Treasury share responsibilities for the recording of financial transactions in two separate accounting systems. The Authority prepares its financial statements from the financial information in both accounting systems. The Department of Treasury records transactions for the Office of Scholarships and Grants which are included in the Authority's governmental fund. The Department of Treasury recorded a receivable for one of the scholarship programs late in the closing process. The Authority did not have a procedure to identify late transactions recorded in the accounting records.

RECOMMENDATION

We recommend that the Authority implement sufficient procedures to ensure that late financial transactions are included in the financial statements.

AGENCY PRELIMINARY RESPONSE

The Authority agrees with the recommendation. The Authority informed us that to ensure that late financial transactions are included in its annual financial statements, the Authority implemented additional procedures for notification by the Authority's Office of Scholarships and Grants to the Authority's Fiscal Division on communications with the Department of Treasury related to the recording of late financial transactions. In addition, the Authority informed us its Fiscal Division added a task to its internal fiscal year-end closing schedule to contact the Department of Treasury's Finance and Accounting Division to obtain verification of any late financial transactions to allow for adjustments in the Authority's draft financial statements.

UPDATE SINCE RELEASE OF OAG FINANCIAL AUDIT REPORT

Required corrective action as detailed in Agency Preliminary Response was implemented by MHEAA during the audit in December 2009. Accordingly, no further corrective action after the release of the final audit report was necessary.