



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

ANDY DILLON
STATE TREASURER

January 31, 2011

Mr. Douglas Ringler, Director
Office of Internal Audit Services
State Budget Office
P.O. Box 30026
Lansing, Michigan 48909

Subject: Financial Audit of the Michigan Public Educational Facilities Authority
Final Plan and Audit Response Summary

Dear Mr. Ringler:

The State of Michigan, Financial Management Guide, Part VII, Chapter 4, Section 100, requires each department to submit a plan addressing audit citations and recommendations made by the Office of the Auditor General.

Attached is the final plan and audit response summary for the financial audit including the provisions of the single audit act of the former Michigan Public Educational Facilities Authority for the period October 1, 2007 through September 30, 2009.

Questions regarding the final plan and audit response summary should be directed to Mike Krouse, Assistant Director at 517-373-8406 or by email at krousem@michigan.gov.

Sincerely,

Signature Redacted

Joseph L. Fielek
Executive Director
Michigan Finance Authority

cc: Executive Office
Office of the Auditor General
House Appropriations Subcommittee
Senate Appropriations Subcommittee
House Fiscal Agency
Senate Fiscal Agency
Mike Krouse
Tom Saxton



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FINAL PLAN
Michigan Public Educational Facilities Authority
N/K/A Michigan Finance Authority
Summary of Agency Responses to Recommendations
Audit Period Ended September 30, 2009

1. Audit recommendations the agency complied with:
 - a. Internal Control Over Financial Transactions – Corrections to the financial statements were made prior to issuance of the audit report. Subsequently staff knowledgeable in proper governmental accounting and reporting was assigned to prepare the journal entries for accrual income. Staff was also instructed how to record entries related to deferred revenue and transfers between accounts. The entries are reviewed by the Accounting Director to assure that financial transactions are properly recorded.

2. Audit recommendations the agency agrees with and will comply:
 - a. Program Income – The language of the trust indenture is being revised for the one charter school mentioned in the audit findings in order to provide direction to the trustee as to when debt service reserve fund earnings will be transferred to the Authority's account. This is targeted for completion and funds transfer by September 30, 2010.
 - b. Reporting – Information for the annual reporting period is reviewed by management prior to submission to the USDOE in order to avoid any inconsistencies in reporting.

3. Audit recommendations the agency disagrees with:
 - a. Allowable Costs/Cost Principal – There has been no indication from the U.S. Department of Education (USDOE) that funds were not being used as intended. Numerous discussions have been held with USDOE and they have been kept informed of the use of grant dollars. The USDOE has indicated that they do not want to amend the performance agreement and therefore no action is being anticipated other than to keep USDOE informed of the future use of grant funds.
 - b. Special Tests and Provisions – Grant dollars were used in a manner to best help charter schools. This was the intended use of the funds. Grant dollars have greatly benefited schools by enabling them to complete bond transactions and be able to provide education to thousands of students. Due to the turmoil in the financial markets, the Authority used the money in the best interest of its clients and for the intended use of benefiting charter schools.