



MICHIGAN STRATEGIC FUND

300 N Washington Sq
Lansing, MI 48913

January 25, 2013

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

Dear Director Ringler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, enclosed is a summary table identifying our response and corrective action plan to address the recommendation contained within the Office of the Auditor General's Financial Audit Report of the Michigan Strategic Fund (October 1, 2009 through September 30, 2011).

Questions regarding the summary table or corrective action plans should be directed to me at 517.241.0524; or modij1@michigan.org.

Sincerely,

Signature Redacted

Juzer Modi, Director
Office of Financial Services

Enclosure

JM:bs

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

Michigan Strategic Fund
Audit Report on Provision of the Single Audit Act
Summary of Agency Responses to Recommendations
October 1, 2009 through September 30, 2011

1. Audit recommendations the agency complied with:

1

2. Audit recommendations the agency agrees with and will comply:
Not Applicable

3. Audit recommendations the agency disagrees with: Not Applicable

**Michigan Strategic Fund – FY 2011
Financial Audit
Agency response to recommendation**

FINDING

Controls Over financial Reporting

The Michigan Strategic Fund's (MSF's) internal control over financial reporting did not ensure that accounting transactions and financial statement balances were properly recorded and reported in accordance with generally accepted accounting principles. As a result, several financial statements errors were found during the audit, when brought to MSF's attention, were corrected.

The audit disclosed that MSF had misclassified the following transactions:

- a. MSF did not record revenue for the advance received from the U. S. Department of Treasury for the State Small Business Credit Initiative (SSBCI) agreement as required by Governmental Accounting Standards Board (GASB).
- b. MSF did not properly record and report the net assets and fund balance as required by GASB.

MSF RESPONSE

MSF agreed with the recommendation and made the corrections to the financial statements. These misstatements of net assets and fund balance classifications did not overstate or understate MSF's total net assets.

CORRECTIVE ACTION

MSF has instituted a process to discuss and seek guidance/clarification from the Office of Financial Management (OFM) when implementing new GASB pronouncements. MSF will also continue to ask for guidance on accounting and financial reporting for new MSF programs.