

EXECUTIVE DIGEST

MICHIGAN STATE HOSPITAL FINANCE AUTHORITY

INTRODUCTION

This report contains the results of our financial audit of the Michigan State Hospital Finance Authority for the period October 1, 1993 through September 30, 1994.

AUDIT PURPOSE

This financial audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Financial audits are conducted at various intervals to permit the Auditor General to express an opinion on the State's financial statements. In addition, Section 18.1492 of the *Michigan Compiled Laws* requires that the Authority's financial statements be audited annually by the Auditor General or independent auditors selected by the Auditor General.

BACKGROUND

The Authority was created by Act 38, P.A. 1969, as amended. The Authority, deemed to be a component unit of the State of Michigan, is organizationally located within the Department of Treasury. A Board of Trustees governs the Authority, which exercises its statutory responsibilities independent of the State Treasurer.

The purpose of the Authority is to facilitate the ability of nonpublic, nonprofit facilities and health care corporations in obtaining financing or refinancing for capital improvements. To accomplish this purpose, the Authority is authorized to issue bonds for the purpose of making related loans to the facilities.

As of September 30, 1994, the Authority shared 14 employees with the Michigan Higher Education Facilities Authority. The Michigan State Hospital Finance Authority's administrative expenses for the fiscal year ended September 30, 1994 amounted to \$1.8 million.

**AUDIT
OBJECTIVES
AND
CONCLUSIONS**

Audit Objective: To assess the adequacy of the Authority's internal control structure.

Conclusion: Our assessment found that the Authority's internal control structure was generally adequate. However, we did identify the following material weakness:

- The Authority did not ensure that proper controls existed over its automated accounting-related systems (Finding 1).

The Authority agreed with the intent of this finding and has taken steps or is exploring alternative methods to comply with the recommendation.

Our assessment also disclosed other reportable conditions related to cash disbursements, expenditure allocation, and the statement of cash flows (Findings 2 through 4).

Audit Objective: To assess the Authority's compliance with applicable laws and regulations that could have a material effect on its financial statements.

Conclusion: Our assessment did not identify any instances of noncompliance with applicable laws and regulations that could have a material effect on the Authority's financial statements.

Audit Objective: To audit the Authority's financial statements as of and for the fiscal year ended September 30, 1994.

Conclusion: We expressed an unqualified opinion on the financial statements. Our independent auditor's report on the financial statements was provided to the Authority for inclusion in its annual report.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Michigan State Hospital Finance Authority for the period October 1, 1993 through September 30, 1994. Our audit was conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

**AGENCY
RESPONSES**

Our audit report contains 4 findings and corresponding recommendations. The Authority's preliminary response indicated that the Authority agreed with 3 of our findings and has implemented or will implement the recommendations.