

EXECUTIVE DIGEST

STATE-FUNDED JUDICIAL OPERATIONS

INTRODUCTION

This report contains the results of our financial audit, including the provisions of the Single Audit Act, of State-Funded Judicial Operations for the period October 1, 1992 through September 30, 1994.

AUDIT PURPOSE

This financial audit was conducted as part of the constitutional responsibility of the Office of the Auditor General and is required on a biennial basis by Act 251, P.A. 1986, to satisfy the requirements of the Single Audit Act of 1984 and Office of Management and Budget Circular A-128, *Audits of State and Local Governments*.

BACKGROUND

The judicial branch of government consists of three levels of courts and other judicial agencies. The courts include the Supreme Court, the Court of Appeals, and State trial courts. Trial courts consist of circuit, district, and probate courts. Other judicial agencies include the State Court Administrative Office, State Appellate Defender Office, Michigan Appellate Assigned Counsel System, Michigan Judicial Institute, Judicial Tenure Commission, and State Judicial Council.

Revenue and expenditures for State-funded judicial operations were as follows for the fiscal year ended September 30, 1994:

Revenue	\$ 61,828,011
Expenditures	\$184,117,751

State general purpose revenue provides the primary funding for expenditures in excess of revenue collections.

As of September 30, 1994, State-funded judicial operations had 2,109 employees, which included all judges for the various trial and appellate courts.

**AUDIT
OBJECTIVES
AND
CONCLUSIONS**

Audit Objective: To assess the adequacy of the internal control structure* of State-funded judicial operations, including applicable administrative controls related to the management of federal financial assistance programs.

Conclusion: Our assessment of the internal control structure did not disclose any material weaknesses*. However, our review did disclose reportable conditions* in the areas of annual budgets and bailiff audits (Findings 1 through 2).

Audit Objective: To assess State-funded judicial operations' compliance with both State and federal laws and regulations that could have a material effect on either the State-funded judicial operations' financial schedules or any of its major federal financial assistance programs.

Conclusion: Our assessment of compliance with laws and regulations did not disclose any instances of noncompliance that could have a material effect on the State-funded judicial operations' financial schedules or its major federal financial assistance programs. However, our assessment disclosed instances of noncompliance related to timeliness of grant reports, billings to federal programs, Title IV-D* requirements, time study procedures, and cost allocation rates (Findings 3 through 7).

Audit Objective: To audit State-funded judicial operations' financial schedules for the fiscal years ended September 30, 1994 and September 30, 1993.

Conclusion: We expressed an unqualified opinion on the financial schedules.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of State-funded judicial operations for the period October 1, 1992 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.

This audit incorporated the work performed during our financial audit of State-Funded Judicial Operations for the period October 1, 1992 through September 30, 1993. The

comments, findings, and recommendations from our earlier report, issued January 31, 1995, are not repeated in this report.

**AGENCY
RESPONSES**

This report contains 7 findings and 8 corresponding recommendations. The Judiciary agreed with 6 findings and partially agreed and partially disagreed with 1 finding.