

EXECUTIVE DIGEST

**STATE BUILDING AUTHORITY OF THE STATE  
OF MICHIGAN**

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**INTRODUCTION**

This report contains the results of our financial audit of the State Building Authority of the State of Michigan (the Authority), Department of Management and Budget, for the period October 1, 1994 through September 30, 1995.

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**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.

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**BACKGROUND**

The Authority was organized under Act 183, P.A. 1964, as amended, and transferred to the Department of Management and Budget under the provisions of Act 431, P.A. 1984, as an independent Type I agency and instrumentality of the State. The Authority is governed by a five-member Board of Trustees appointed by the Governor, with the advice and consent of the Senate, for four-year

terms. An executive director oversees the day-to-day operations of the Authority.

The mission of the Authority is to construct, acquire, improve, enlarge, and lease facilities for use by the State or any of its agencies, including public institutions of higher education. The Authority issues bonds to fund the various facilities. The Authority is also permitted to issue bonds for equipment that is solely for the use of the State or any of its agencies. The Authority is limited to the issuance of \$2 billion of bonds, excluding refunding bonds, by Act 183, P.A. 1964, as amended. Lease agreements between the Authority and the State, its agencies, or public institutions of higher education for the facilities or equipment generate funds which are the primary source for making bond payments.

At September 30, 1995, the Authority had three employees. Net bonds and notes payable at September 30, 1995 were approximately \$1.6 billion.

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**AUDIT  
OBJECTIVES  
AND  
CONCLUSIONS**

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

**Conclusion:** Our assessment of the internal control structure disclosed the following material weakness\*:

- The Authority's internal control structure did not ensure that the financial statements were prepared on a timely basis (Finding 1).

In addition, we noted a reportable condition\* related to recording accounts payable and expenditures (Finding 2).

**Audit Objective:** To assess the Authority's compliance with applicable laws, regulations, and bond resolutions.

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

**Audit Objective:** To audit the Authority's financial statements for the fiscal year ending September 30, 1995.

**Conclusion:** We expressed an unqualified opinion on the Authority's financial statements.

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**AUDIT SCOPE**

Our audit scope was to examine the financial and other records of the State Building Authority of the State of Michigan for the period October 1, 1994 through September 30, 1995. 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.

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**AGENCY  
RESPONSES  
AND PRIOR AUDIT  
FOLLOW-UP**

The agency complied with 4 of 6 prior audit recommendations. Two of the recommendations are repeated in this report.