EXECUTIVE DIGEST

STATEWIDE BONDING ACTIVITIES

INTRODUCTION	This report, issued in January 1997, contains the results of our performance audit of Statewide Bonding Activities.
AUDIT PURPOSE	This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.
BACKGROUND	The total bonds outstanding as of September 30, 1995 was approximately $12.3 billion. Various State departments and authorities* issue long-term bonds. The Department of Treasury issues general obligation bonds*. The Departments of Natural Resources and Transportation and 10 authorities had revenue bonds outstanding as of September 30, 1995. General obligation bonds, except for those issued by the School Bond Loan Fund, require voter approval. The full faith and credit of the State is pledged for the repayment of general obligation bonds. Revenue

bonds* do not require voter approval. Specific revenues are pledged for the repayment of each revenue bond issue.

AUDIT OBJECTIVES AND CONCLUSIONS

Audit Objective: To assess the effectiveness and efficiency of the State's bond issuance process.

Conclusion: We concluded that the State's bond issuance process was effective and generally efficient. However, we noted three reportable conditions* related to centralized bond issuance (Finding 1), the procurement of contractual personal services (Finding 2), and the evaluation of bond sales and contractors involved in the sales (Finding 3).

Audit Objective: To assess the effectiveness of the State's monitoring of outstanding bonds.

Conclusion: We concluded that the monitoring of outstanding bonds was effective. Our assessment did not disclose any reportable conditions.

AUDIT SCOPE AND METHODOLOGY

Our audit scope was to examine the program and other records of the various bonding authorities and units within State government that issued bonds for the period October 1, 1993 through March 31, 1996. Our audit was conducted in accordance with *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.

Our audit methodology included analyzing the process for selling bonds at selected bonding authorities and comparing Michigan authorities' bond issues with similar bond issues of bonding authorities in other states to determine whether interest rates paid and the various costs of issuing bonds were similar. We verified the selection process for contracts associated with bond sales. Also, we evaluated the process for monitoring outstanding bond issues for refunding* opportunities.

AGENCY RESPONSES

Our audit report contains 3 findings and recommendations. The Department of Treasury agreed with 2 findings and disagreed with 1 finding.