

EXECUTIVE DIGEST

STATE TREASURER'S ANNUAL REPORT

INTRODUCTION

This report contains the results of our financial audit* of the State Treasurer's Annual Report, Department of Treasury, for the period October 1, 1995 through September 30, 1996.

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.

BACKGROUND

The State Treasurer is responsible for investing, managing, accounting for, and safekeeping assets of the State Police, State Employees', Public School Employees', and Judges' Retirement Systems and various trust funds and other money comprising the State's common cash pool.

The Bureau of Investments, Department of Treasury, manages the investments for the State Treasurer. Also, the Bureau accounts for the investments of the Legislative and Municipal Employees' Retirement Systems. As of September 30, 1996, the market value of the retirement systems and the State's common cash pool totaled approximately \$35 billion.

AUDIT OBJECTIVES AND CONCLUSIONS

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

Conclusion: Our assessment of the Department's internal control structure did not disclose any material weaknesses*. However, we did note a reportable condition* related to note disclosure (Finding 1).

Audit Objective: To assess the Department's compliance with applicable statutes, the *Michigan Administrative Code*, State procedures, and Department policies and procedures that could have a material effect on the financial schedules.

Conclusion: Our assessment of the Department's compliance with applicable statutes, the *Michigan Administrative Code*, State procedures, and Department policies and procedures did not disclose any instances of material noncompliance*.

Audit Objective: To audit the financial schedules of the State Treasurer as of and for the fiscal year ended September 30, 1996.

Conclusion: We expressed an unqualified opinion on the State Treasurer's financial schedules as of and for the fiscal year ended September 30, 1996. Our opinion and the schedules are included in the State Treasurer's Annual Report issued by the State Treasurer.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Department of Treasury for the period October 1, 1995 through September 30, 1996. 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 RESPONSE

Our audit report includes one finding and recommendation. The Department's preliminary response indicated that it agreed with and will implement our recommendation.