

## EXECUTIVE DIGEST

# SCHOOL BOND LOAN FUND AND SCHOOL LOAN BOND REDEMPTION FUND

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### INTRODUCTION

This report contains the results of our financial audit\* of the School Bond Loan Fund and the School Loan Bond Redemption Fund, Department of Treasury, for the period October 1, 1995 through September 30, 1997.

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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

Article 9, Section 16 of the State Constitution and Sections 388.921 - 388.985 of the *Michigan Compiled Laws* implemented the School Bond Loan Fund and the School Loan Bond Redemption Fund.

The School Bond Loan Program Section (SBLPS), Cash and Debt Management Division, Department of Treasury, is responsible for the administration of the two Funds. SBLPS's purpose is to provide for the issuance of State general obligation bonds to provide funds for loans to school districts to help finance bond debt requirements for

capital improvement projects. SBLPS evaluates and approves school district loan applications, maintains program participation documentation, and maintains accounting records for the outstanding loans. As of September 30, 1997, outstanding loans receivable totaled \$153.1 million for principal and \$18.2 million for accrued interest.

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**AUDIT OBJECTIVES  
AND CONCLUSIONS**

**Audit Objective:** To assess the adequacy of the Department's internal control structure\* , including selected operational controls.

**Conclusion:** Our assessment of the Department's internal control structure did not disclose any material weaknesses\*. However, we noted a reportable condition\* related to monitoring school districts' loan repayments (Finding 1).

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

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

**Audit Objective:** To audit the Funds' financial statements as of and for the fiscal years ended September 30, 1997 and September 30, 1996.

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

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**AUDIT SCOPE**

Our audit scope was to examine the financial and other records of the School Bond Loan Fund and the School Loan Bond Redemption Fund for the period October 1, 1995 through September 30, 1997. 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**

Our audit report includes one finding and recommendation. The Department agreed with the finding and will take steps to implement the recommendation.

The Department had complied with all 5 of our prior audit recommendations.