



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

November 14, 2003

The Honorable Jennifer M. Granholm, Governor of Michigan
The Honorable Kenneth R. Sikkema, Senate Majority Leader
The Honorable Rick V. Johnson, Speaker of the House
The Honorable Robert L. Emerson, Senate Minority Leader
The Honorable Dianne Y. Byrum, House Minority Leader
and
Members of the 92nd Legislature

Ladies and Gentlemen:

This annual report on the operations of the Michigan Office of the Auditor General covers the fiscal year ended September 30, 2003 and is submitted in accordance with Article IV, Section 53 of the State Constitution.

Our annual reports for fiscal years ending with odd numbers are submitted in an abbreviated format as letter reports, which is the format for this report. Annual reports for fiscal years ending with even numbers are submitted in our traditional format and contain information about our office and the audit reports completed during the fiscal year. Copies of this letter report and of our annual report for the fiscal year ended September 30, 2002 can be found on our Internet web site. Our web site also includes copies of our audit reports.

The Office of the Auditor General has the responsibility, as stated in Article IV, Section 53 of the State Constitution, to conduct post financial and performance audits of State government operations. In addition, certain sections of the *Michigan Compiled Laws* contain specific audit requirements in conformance with the constitutional mandate. To fulfill our requirements and to continually meet our customer needs, we are committed to improving the quality of our audit services and reports.

The core strength of our office continues to be the quality of our staff. Despite the loss to retirement of 15% of our trained and experienced professional staff since June 2002, Office of the Auditor General personnel remain dedicated to fulfilling their responsibilities. The Office of the Auditor General is committed to providing the Legislature and other interested parties with accurate and reliable information, and the key factors in our ability to achieve this commitment are the competency, professionalism, and motivation of our staff.

Sincerely,

A handwritten signature in black ink that reads "Thomas H. McTavish". The signature is fluid and cursive, with a large loop at the end.

Thomas H. McTavish, C.P.A.
Auditor General

Value of Office of the Auditor General (OAG) Audit Reports

To the Legislature

OAG reports provide objective, unbiased, and independently developed information that members of the Legislature can use in making informed decisions with confidence. The OAG also responds directly to requests from the Legislature to review activities, programs, or funds not included in the scope of scheduled audits. OAG reports contained over 200 recommendations that identified opportunities for improving effectiveness and efficiency in State operations and provided information needed by the Legislature to make decisions regarding the continuation of programs and levels of funding.

To the Auditee

OAG reports provide objective, unbiased, and independently developed information about the auditee's operations that can be used by management to improve its methods of operating. OAG recommendations, when implemented, frequently result in more effective, efficient, and economical programs.

To Third Parties

Investors and creditors obtain OAG reports and use them as a source of information that they can rely on to make decisions. For example, the *State of Michigan Comprehensive Annual Financial Report*, which includes the Auditor General's opinion regarding fair presentation in conformity with generally accepted accounting principles, is relied on by the financial community in setting bond ratings for State-issued debt. This report consistently qualifies for the annual Certificate of Achievement for Excellence in Financial Reporting presented by the Government Finance Officers Association.

Also, OAG Single Audit reports satisfy the federal government's demand for accountability of federal funds allocated to the State of Michigan.

To the Citizens of the State of Michigan

The citizens have confidence in knowing that the Legislature is aggressive in its oversight and accountability of money paid to the State in the form of taxes, fees, and other revenue and prudent in expending funds in accordance with statutes and regulations.

Office of the Auditor General Reports and Other Information

An audit report and its supporting evidence are considered confidential until the report's official release to the Legislature, the general public, and the press. Once a report has been released, it is public information and, as such, is available upon request.

Reports or information about our office can be found on our Internet web site at www.state.mi.us/audgen or can be obtained as follows:

- By written request directed to:

Office of the Auditor General
Victor Center, Sixth Floor
201 N. Washington Square
Lansing, Michigan 48913

- By telephone at (517) 334-8050
- By FAX at (517) 334-8079 (please include your name, address, and the specific reports or other desired information in your request)

AUDIT AND LETTER REPORTS COMPLETED DURING FISCAL YEAR 2002-03

- * Letter report.
R Audit required by law.
N/A Not applicable.

Project Number	Report Name	Project Type	Recommendations	
			New	Repeated
AGRICULTURE, DEPARTMENT OF				
79-100-03	Department of Agriculture - R	Single	5	2
79-110-02	Animal Industry Division, Food and Dairy Division, and Laboratory Division <i>The Divisions administer statutes, regulations, and policies relating to food and consumer product safety and quality.</i>	Performance	1	0
79-305-02	Michigan State Fair and Exposition Center (Fiscal Year 2000-01) - R <i>The Department is responsible for conducting an annual Michigan State Fair and other exhibits or events to promote all phases of the economy of the State.</i>	Financial	4	0
79-305-03	Michigan State Fair and Exposition Center (Fiscal Year 2001-02) - R	Financial	0	0
79-310-02	Office of Racing Commissioner <i>The Office has responsibilities relating to licensure, enforcement, and regulation of race meetings in Michigan and persons involved in those race meetings.</i>	Performance	4	0
ATTORNEY GENERAL, DEPARTMENT OF				
11-100-03	Department of Attorney General - R	Single	0	0
CAREER DEVELOPMENT, MICHIGAN DEPARTMENT OF				
45-100-03	Michigan Department of Career Development - R	Single	14	2
45-142-02	Office of Postsecondary Services <i>The Department's mission is to develop a system that produces a work force with the required skills to maintain and enhance the Michigan economy. The Office is responsible for promoting access to, retention in, and completion of individual student goals in quality, comprehensive postsecondary services.</i>	Performance	9	4
45-200-97	Work First Program, Michigan Department of Career Development and Family Independence Agency <i>The Program's primary goal is to help Family Independence Agency clients who receive cash assistance through the Family Independence Program become self-sufficient and thus eliminate their need for cash assistance. The Program has evolved to also include other client populations, such as unemployed noncustodial parents and clients who receive noncash assistance.</i>	Performance	6	0

AUDIT AND LETTER REPORTS COMPLETED
DURING FISCAL YEAR 2002-03

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
45-500-03	Selected Community Colleges' Reporting of Activities Classification Structure Data - R <i>Community colleges annually report certain information to the Department, which is used to determine their State aid.</i>	Performance	6	0
CIVIL RIGHTS, DEPARTMENT OF				
15-100-03	Department of Civil Rights - R	Single	0	0
COMMUNITY COLLEGES				
32-370-00F	Follow-Up Review of Wayne County Community College District <i>The College district includes all of Wayne County, excluding the cities of Dearborn, Dearborn Heights, Garden City, Highland Park, Livonia, Northville, and Plymouth and part of Canton Township.</i>	Performance	N/A	N/A
COMMUNITY HEALTH, DEPARTMENT OF				
39-645-02	Office of Services to the Aging <i>The Office has defined its mission as promoting independence and enhancing the dignity of Michigan's older persons and their families.</i>	Performance	4	0
39-680-02	Bureau of Laboratories, Community Public Health Agency <i>The Bureau provides a wide range of multidisciplinary diagnostic and analytical services to support public health initiatives related to the surveillance and control of communicable diseases, to support detection of genetic and metabolic errors in newborns, and to support activities related to environmental concerns.</i>	Performance	0	0
39-690-02	Division of Chronic Disease and Injury Control, Community Public Health Agency <i>The Division endeavors to promote healthy lifestyle factors in individuals and vulnerable populations and communities to improve the length and quality of life for all Michigan residents through an organized program to reduce risk factors in schools, communities, health care settings, and work sites.</i>	Performance	5	0
CONSUMER AND INDUSTRY SERVICES, DEPARTMENT OF				
63-431-02	Bureau of Commercial Services <i>The mission of the Bureau is to protect the health, welfare, and safety of Michigan citizens and to encourage the growth of business in Michigan, while at the same time protecting consumers.</i>	Performance	10	0

AUDIT AND LETTER REPORTS COMPLETED
DURING FISCAL YEAR 2002-03

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
CORRECTIONS, DEPARTMENT OF				
47-130-02	Bureau of Correctional Industries <i>The Bureau, also known as Michigan State Industries, employs prisoners to manufacture products and provide services for sale to governmental entities and nonprofit organizations in Michigan and other states.</i>	Performance	7	0
47-370-02	Office of Audit, Internal Affairs, and Litigation <i>The Office consists of two divisions (Internal Audit and Internal Affairs) and three sections (Litigation and Freedom of Information Act, Consent Decree, and Prisoner Affairs).</i>	Performance	4	0
EDUCATION, DEPARTMENT OF				
31-110-02	Office of Administrative Law and the State Tenure Commission <i>The Office is responsible for processing appeals for the State Tenure Commission or the Superintendent of Public Instruction. The Commission is a board of review for all teacher tenure appeals.</i>	Performance	2	1
31-132-03	Government Services and Customer Satisfaction Office <i>The Office is responsible for providing assistance to the public and school district personnel to help ensure equal educational opportunity for all students; providing ongoing interpretation, analysis, and monitoring of educational legislation; allocating federal funds to reduce the barriers to educational success of homeless children and youth; and providing technical assistance regarding State and federal programs and leadership for nonpublic schools and home schoolers.</i>	Performance	2	0
31-300-01	Office of Field Services <i>The Office is responsible for ensuring that the resources available to school districts are focused and targeted on improved student learning for all students.</i>	Performance	4	0
ENVIRONMENTAL QUALITY, DEPARTMENT OF				
76-135-98	Storage Tank Division <i>The Division is responsible for the protection of public health, the environment, and natural resources of the State from releases and fire safety hazards associated with underground and aboveground storage tanks.</i>	Performance	6	0
EXECUTIVE OFFICE				
01-100-03	Executive Office <i>The Executive Office includes the Governor and Lieutenant Governor and their staffs.</i>	Financial	0	0

AUDIT AND LETTER REPORTS COMPLETED
DURING FISCAL YEAR 2002-03

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
FAMILY INDEPENDENCE AGENCY				
43-121-01	Office of Internal Audit <i>The Office was established to examine and evaluate the Family Independence Agency's activities and internal controls as a service to the Agency's management.</i>	Performance	6	2
43-122-99F	Follow-Up Review of the Office of Inspector General and Related Complaint Referral and Disposition Processes <i>The mission of the Office is to support the Family Independence Agency by conducting criminal and administrative investigations and providing assistance to ensure accountability and the efficient use of Agency funds.</i>	Performance	N/A	N/A
43-260-02	Adult Protective Services <i>Adult Protective Services is responsible for the overall administration of services to adults in need of protection, including the development of policies and procedures.</i>	Performance	13	2
43-300-98F	Follow-Up Review of the Child Development and Care Program <i>The mission of the Program is to ensure the availability, affordability, and quality of child care for Michigan residents.</i>	Performance and Financial	N/A	N/A
43-320-00	Food Assistance Program <i>The Program operates under the federal Food Stamp Act of 1977. The Program's purpose is to end hunger and improve nutrition and health and its stated goal is to raise the food purchasing power of low-income persons.</i>	Performance	12	0
HISTORY, ARTS AND LIBRARIES; DEPARTMENT OF				
25-100-03	Department of History, Arts and Libraries - R	Single	2	0
JUDICIAL				
05-150-03	State-Funded Judicial Operations - R	Single	3	0
MANAGEMENT AND BUDGET, DEPARTMENT OF				
07-010-02	State of Michigan Comprehensive Annual Financial Report (SOMCAFR) - Principal (Fiscal Year 2000-01) - R	Financial	11	4
07-010-03	State of Michigan Comprehensive Annual Financial Report (SOMCAFR) - Principal (Fiscal Year 2001-02) - R	Financial	14	4

AUDIT AND LETTER REPORTS COMPLETED
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			New	Repeated
07-011-03	* SOMCAFR - Central Staff (Fiscal Year 2001-02)	Financial	N/A	N/A
07-012-03	* SOMCAFR - Field Staff (Fiscal Year 2001-02)	Financial	N/A	N/A
07-030-03	*Review of Constitutional Revenue Cap (Fiscal Year 2001-02) - R	Financial	N/A	N/A
07-031-03	*Review of Section 30 Expenditure Limitation Report (Fiscal Year 2001-02) - R	Financial	N/A	N/A
07-100-03	Department of Management and Budget - R	Single	1	0
07-125-02	Capital Renewal Division and the Design and Construction Division <i>The Divisions are responsible for implementing and managing the State's capital renewal plan for State-owned infrastructure and for providing facility design and construction services to State agencies, community colleges, and universities.</i>	Performance	5	0
07-400-03	Michigan Strategic Fund - R <i>The Fund was established to help diversify the economy of the State and to provide for economic development.</i>	Single	1	0
07-402-03	Michigan Economic Development Corporation - R <i>The entity was created to promote smart economic growth by developing strategies and providing services to create and retain good jobs and a high quality of life for Michigan residents.</i>	Single	0	1
07-404-02	Selected Training Related Programs, Michigan Economic Development Corporation <i>The Corporation oversees training related programs, including the Economic Development Job Training, the Michigan Technical Education Center, the Michigan Virtual University, and the Governor's Career Scholarship Programs.</i>	Performance	5	0
07-594-02	Michigan Administrative Information Network <i>The Network is the State's automated administrative management system that supports accounting, payroll, purchasing, and other activities.</i>	Performance and Financial	6	0
07-629-03	Use of Transportation-Related Funding - R <i>Funding was provided to the Departments of State, Management and Budget, State Police, Civil Service, Career Development, Attorney General, Natural Resources (including Mackinac Island State Park Commission), Environmental Quality, and Treasury; the Michigan Economic Development Corporation; and the Office of the Auditor General.</i>	Financial	3	1

AUDIT AND LETTER REPORTS COMPLETED
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Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
63-703-98	Employee Safety and Health Programs <i>Each department is required to develop, implement, and administer a safety and health program with Statewide coordination provided by the Department of Management and Budget.</i>	Performance	2	0
NATURAL RESOURCES, DEPARTMENT OF				
75-148-01	Cadillac Local Development Finance Authority - R <i>The Authority can use local development financing for a public facility designed to reduce, eliminate, or prevent the spread of identified soil and groundwater contamination.</i>	Performance	N/A	N/A
75-151-02	Wildlife Division <i>The Division's mission is to enhance, restore, and conserve the State's wildlife resources, natural communities, and ecosystems. The Division manages wildlife populations and habitats, monitors the health of wildlife populations, and protects threatened and endangered species.</i>	Performance	2	0
75-153-02	Hunting Permits Selection <i>In addition to issuing general, unrestricted hunting licenses, the Department also issues limited quota licenses. The Department's contract vendor processes applications from interested hunters and randomly selects successful applicants.</i>	Performance	6	0
75-155-02	Real Estate Acquisition and Disposition <i>The Department is authorized by statute to accept gifts and grants of land and other property and may buy, sell, exchange, or condemn land and other property.</i>	Performance	4	0
STATE, DEPARTMENT OF				
23-100-03	Department of State - R	Single	1	0
23-235-01	Bureau of Elections <i>The Bureau's mission is to improve the integrity of the administration of elections, to ensure the fairness of the electoral process, and to encourage the fullest possible participation of Michigan citizens in all aspects of the electoral process.</i>	Performance	5	0
STATE POLICE, MICHIGAN DEPARTMENT OF				
55-130-02	Criminal Justice Information Center <i>The Center is committed to ensuring the accessibility and utility of criminal justice information for all users, while maintaining the integrity of all records through training and quality control.</i>	Performance	5	0

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			New	Repeated
TRANSPORTATION, MICHIGAN DEPARTMENT OF				
59-150-01	Bureau of Transportation Planning <i>The Bureau is responsible for developing and implementing the Department's intermodal planning process.</i>	Performance	4	1
59-165-02	Bridge Programs <i>The Department oversees the State and federal bridge rehabilitation and replacement programs for bridges on State trunklines and local governmental agency roads.</i>	Performance	5	0
59-172-02	Real Estate Support Area, Highway Bureau of Development <i>The Area provides real estate services and right-of-way management, along with a variety of permit services, for all areas of the Department, including 7 regional offices and 26 transportation service centers.</i>	Performance	5	0
59-225-01	Offices of Quality and Reengineering, Human Resources, and Equal Opportunity <i>The Office of Quality and Reengineering provides guidance and assistance to the Department's executive leadership in continuously improving the Department's business practices. The Office of Human Services is responsible for administering the Department's payroll and personnel activities. The Office of Equal Opportunity is responsible for monitoring contractors' compliance with anti-discrimination regulations and for ensuring that only eligible firms participate in disadvantaged business programs.</i>	Performance	14	2
TREASURY, DEPARTMENT OF				
27-252-02M	State Treasurer's Annual Report (Fiscal Year 2000-01) - R <i>The State Treasurer is responsible for investing, managing, accounting for, and safekeeping assets of several retirement systems, various trust funds, and the State's Common Cash pool.</i>	Financial	1	0
27-252-03M	State Treasurer's Annual Report (Fiscal Year 2001-02) - R	Financial	0	0
27-252-03O	*State Treasurer's Annual Report (Fiscal Year 2001-02) - R	Financial	N/A	N/A
27-284-02M	Michigan Education Trust (Fiscal Year 2001-02) - R <i>The Trust operates a prepaid college tuition program that will provide a Michigan child's undergraduate tuition at any Michigan public university or community college.</i>	Financial	1	0
27-284-02O	*Michigan Education Trust (Fiscal Year 2001-02) - R	Financial	N/A	N/A

AUDIT AND LETTER REPORTS COMPLETED
DURING FISCAL YEAR 2002-03

<u>Project Number</u>	<u>Report Title</u>	<u>Project Type</u>	<u>Recommendations</u>	
			<u>New</u>	<u>Repeated</u>
27-285-02	Michigan Broadband Development Authority <i>The Authority assists in the development and utilization of high-speed broadband Internet services and infrastructure across Michigan.</i>	Financial	1	0
27-590-01	Automated Information Systems <i>The Department has developed and operates large complex information systems to manage the processing of numerous personal and business-related taxes.</i>	Performance	5	1
27-605-03	Federal Cash Management Improvement Act Program <i>The Act and the associated federal regulations are designed to ensure fairness between the federal and state governments with regard to the use of federal and state funds for federally mandated programs.</i>	Performance	0	0
			<u>236</u>	<u>27</u>