

Directory

Thomas H. McTavish, C.P.A. Auditor General
Scott M. Strong, C.P.A., C.I.A. Deputy Auditor General
Craig M. Murray, C.P.A., C.I.A. Director of Professional Practice
Kimberly E. Jacobs, C.P.A., C.I.S.A., C.N.E. Chief Information Officer
Paul J. Green, C.P.A., C.I.A., C.I.S.A. Director of Administration
Robert T. Ortwein, P.C., C.S.W. State Relations Officer

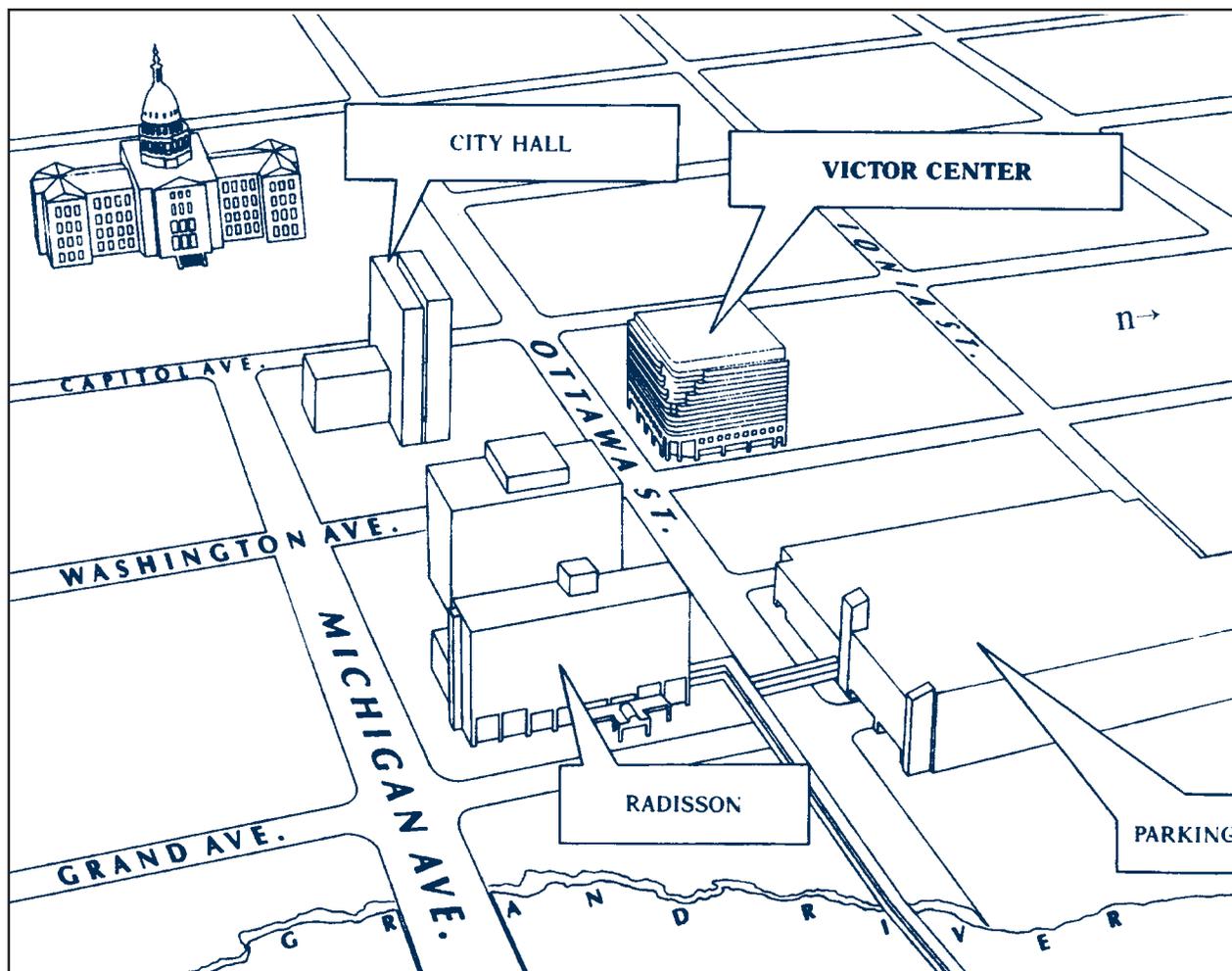
Telephone Number: (517) 334-8050

FAX Number: (517) 334-8079

<http://audgen.michigan.gov>

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

Where We Are Located





STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
Fax (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

September 30, 2004

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, 2004 and is submitted in accordance with Article IV, Section 53 of the State Constitution.

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 and communicating our results to all of the branches of State government, as well as to the citizens of Michigan.

In conformance with the State Constitution and the *Michigan Compiled Laws*, we have established our mission to improve the accountability for public funds and to improve the operations of State government for the benefit of the citizens of the State of Michigan. We serve the public interest by providing members of the Legislature and other policymakers with accurate information, unbiased analyses, and objective recommendations on how to best use scarce public resources. We fulfill our mission by adhering to the professional standards and the principles of integrity, objectivity, independence, and due care and by conscientiously carrying out our audit responsibilities. *Government Auditing Standards* issued by the Comptroller General of the United States and generally accepted auditing standards issued by the American Institute of Certified Public Accountants require auditor independence in fact as well as in appearance and specify what constitutes impairments to independence. The most recent National State Auditors Association external quality control review noted no impairments affecting the Office of the Auditor General's independence in providing auditing and other attestation services.

To help in fulfilling our audit mission and responsibilities, we have focused our efforts on maximizing the quality of our services and improving communication and strengthening

our professional relationship with the Legislature, the agencies that we audit, and the citizens of the State of Michigan. This focus has resulted in a continuous quality improvement process within our office consisting of a commitment to enhance the quality of our services, the use of valid measurements to track our programs, and the use of appropriate teams to facilitate improvements and form ongoing partnerships to promote quality in service delivery.

As the State continues to increase its use of information technology to manage and control its programs and resources, the Office of the Auditor General continues to maintain its leading edge in the use of information technology. We provide our staff with the appropriate technology and resources to enable them to fulfill their assignments and to ensure the successful achievement of our mission.

We also continue to use the State's high-speed network to communicate to our audit staff on assignment at the various State agencies. This communication link permits our staff to store automated information on our servers, to send and receive e-mail, and to access the Internet for research purposes. It also permits us to quickly update computer virus software and computer operating system software to secure our automated information.

Additionally, our Web site continues to be an effective means to make our audit reports available to the Legislature and the general public. Visitors to our Web site can easily search for and retrieve audit reports that contain specific points of interest. Also, visitors can sign up to receive an electronic copy of our audit report summaries as we add them to our Web site.

The core strength of our office continues to be the quality of our staff. There is strong competition from the private sector for new auditors, as well as a strong demand for trained professionals throughout State government. We continue to use innovative strategies to employ and retain highly motivated, skilled, and dedicated staff. 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 achieving this commitment are the competency and professionalism of our staff.

Sincerely,

A handwritten signature in black ink that reads "Thomas H. McTavish". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

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



National State Auditors Association

August 31, 2003

Mr. Thomas H. McTavish, CPA, Auditor General
Office of the Auditor General
201 North Washington Street
Lansing, Michigan 48913

Dear Mr. McTavish:

We have reviewed the system of quality control of State of Michigan, Office of the Auditor General (the Office) in effect for the period September 1, 2002 through August 31, 2003. A system of quality control encompasses the Office's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming to government auditing standards. The design of the system and compliance with it are the responsibility of the Office. Our responsibility is to express an opinion on the design of the system, and the Office's compliance with the system based on our review.

We conducted our review in accordance with the policies and procedures for external quality control reviews established by the National State Auditors Association (NSAA). In performing our review, we obtained an understanding of the Office's system of quality control for audits conducted in accordance with government auditing standards. In addition, we tested compliance with the Office's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the Office's policies and procedures on selected engagements. Because our review was based on selective tests, it would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it.

Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control of State of Michigan, Office of the Auditor General, in effect for the period September 1, 2002 through August 31, 2003 has been suitably designed and was complied with during the period to provide reasonable assurance of conforming to government auditing standards.

Jeffrey A. Henderson, CPA, CISA
Team Leader
National State Auditors Association
External Quality Control Review Team

Brad Blake, CPA
Concurring Reviewer
National State Auditors Association
External Quality Control Review Team

Report Summary

The Office of the Auditor General, established by the State Constitution within the legislative branch of State government, is responsible for conducting independent financial and performance audits of State government operations. The resulting audit reports provide a continuing flow of information to assist the Legislature in its oversight of State government; to provide citizens with a measure of accountability; and to assist State departments and agencies in improving the financial management and the effectiveness, efficiency, and economy of the activities and programs approved by the Legislature.

Organization

The Office of the Auditor General is organizationally divided into four areas of responsibility. The largest area, the Bureau of Audit Operations, is responsible for planning and conducting audits and reporting audit results. The three other areas, the Office of Professional Practice, the Office of Information Technology, and the Office of Administration, provide essential support services.

Audit Activities

During fiscal year 2003-04, the Office of the Auditor General completed 64 audits and contracted for 21 additional audits. Our audit reports contained 359 recommendations to improve State government financial management and operations. In addition, in accordance with professional standards, we orally communicated many other recommendations of a lesser nature to State managers and administrators during our audits. During fiscal year 2003-04, our audits identified savings to the State in excess of \$197.0 million, of which \$138.4 million could be realized within the next fiscal year if our recommendations are fully implemented.

Significant Findings

Although the number and magnitude of the findings varied considerably from audit to audit, several audit reports contained findings with significant impact on government operations.

SOMCAFR Audit

Approximately 11% of our direct audit hours were used for our audit of the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)* for the fiscal year ended September 30, 2003. This audit, which was conducted simultaneously with the

Statewide year-end closing process, resulted in 23 recommended audit adjustments of \$361.1 million. The most significant adjustments included:

- The Office of Financial Management (OFM), Department of Management and Budget, did not record accounts payable and related expenses as a result of adverse judgments received in two court cases. This error resulted in an understatement of the non-current portion of other long-term obligations and expenditures of \$49.2 million in the government-wide statements.
- OFM could not provide adequate documentation to support an increase in capitalized buildings during fiscal year 2002-03. This error resulted in an overstatement of buildings, equipment, and other depreciable assets of \$42.7 million and an overstatement of the non-current portion of other long-term obligations of \$41.0 million, the current portion of other long-term obligations of \$1.0 million, and accumulated depreciation of \$0.7 million in the government-wide statements.
- The Department of Community Health used incorrect data for various components of the long-term care pipeline and cost settlement accrual calculations. These errors resulted in an understatement of accounts payable and expenditures of \$17.0 million and an understatement of federal revenues and receivables of \$9.8 million in the General Fund and in the government-wide statements.

Single Audits

The Single Audit Act requires state and local governments receiving \$300,000 or more of federal financial assistance in any fiscal year to have a comprehensive financial audit, including an assessment of the entity's compliance with federal program requirements. In accordance with Michigan statute (Act 251, P.A. 1985), the Office of the Auditor General audits approximately one-half of the applicable departments and agencies each year on a biennial audit cycle. Approximately 28% of our direct audit hours were used for Single Audits in fiscal year 2003-04.

In fiscal year 2002-03, we completed 12 Single Audits and reported total net questioned costs of \$3.9 million. In fiscal year 2003-04, we completed 8 Single Audits and reported total net questioned costs of \$15.7 million. Significant findings are summarized by department on pages 22 and 23 of this report.

Report Summary

Performance Audits

Performance audits are conducted on a priority basis related to the potential for improving State government operations. Approximately 59% of our direct audit hours were used for performance audits in fiscal year 2003-04. The following are highlights of findings that, if corrected, would improve the effectiveness, efficiency, and economy of State government and university operations:

- In our audit of the Bureau of Local Government Services, Department of Treasury, we identified 29 findings, including 16 material conditions. The findings disclosed uncollected State tax revenues of \$82.8 million and estimated additional revenues of \$118.9 million.
- In our audit of the Office of Professional Preparation Services (OPPS), Department of Education, we determined that OPPS needs to take a more proactive role in helping to ensure that teachers and other licensed school personnel with criminal convictions are reported to the Department as required by law. We determined that the Department was unaware that 106 individuals, 91 of whom were teachers, had criminal convictions and worked in schools during school year 2001-02. Criminal convictions for these individuals consisted mainly of retail fraud, larceny, or alcohol related offenses. However, convictions also included robbery, assault, criminal sexual conduct, indecent exposure, and drug related offenses.
- In our audit of Criminal Investigation Programs, Michigan Department of State Police, we determined that the Michigan State Police Investigative Resources section did not keep the Sexually Motivated Crime Database updated with the sexually motivated crime reports that it received from law enforcement agencies. The incompleteness of the Database reduces its effectiveness as an investigative tool to aid law enforcement agencies in the investigation, identification, and apprehension of criminals.
- In our audit of the University House Project, Eastern Michigan University, we determined that the University did not maintain sufficient budgetary control over the University House project expenditures. In addition, the University did not submit use and financing statements and receive Joint Capital Outlay Subcommittee (JCOS) approval for the University House capital outlay project prior to awarding

contracts and completing the project. Further, the University did not include all costs and financing known to the University at the time (after project completion) it submitted the use and financing statement for the University House capital outlay project.

Total direct expenditures related to the University House project as of December 2003 were \$5.3 million. Total other costs associated with the University House project were an additional \$0.7 million. A substantial portion of the budgeted (\$3.5 million) and the total (\$5.3 million) direct cost of the University House project was funded using University operating revenues, which is prohibited by capital outlay appropriations acts unless approved by the Department of Management and Budget and JCOS.

- In our audit of Mound Correctional Facility, Department of Corrections, we noted that the Facility did not properly complete and monitor gate manifests to ensure that the movement of critical and dangerous items into and out of the Facility was properly controlled. Also, the Facility needs to improve its control over critical and dangerous tools. In addition, the Facility did not conduct or properly document the completion of all security monitoring exercises. Further, the Facility had not documented the completion of all required prisoner counts and did not ensure that corrections officers performed and documented the required number of prisoner shakedowns and cell searches.
- In our audit of the Forensic Science Division, Michigan Department of State Police, we noted that the Combined DNA Index System (CODIS) database is incomplete and, therefore, not effectively fulfilling its purpose to provide assistance to law enforcement agencies in investigating and solving crimes. Failure to obtain, process, and upload DNA samples into CODIS in a timely manner has several consequences. It may reduce the ability of law enforcement agencies to identify and prosecute offenders, which would result in crimes remaining unsolved and offenders remaining free to commit other crimes. Also, it may result in an inefficient use of law enforcement resources in investigating crimes, which would further strain the already limited resources of many law enforcement agencies. Further, the inability to match a DNA sample may result in an innocent person being wrongly suspected of or charged with a crime.

Report Summary

Human Resources

During fiscal year 2003-04, the Office of the Auditor General continued its commitment to professionalism and leadership in the field of State governmental auditing. Our 129-member professional audit staff included 71 certified public accountants, 5 certified internal auditors, and 8 certified information systems auditors. Staff members actively participated as officers, board members, and committee members of local, State, and national accounting and auditing organizations. In October 2003, we hosted the National Legislative Program Evaluation Society (NLPES) Fall Training Conference in East Lansing, Michigan. Over 200 individuals from 28 states participated in this training event.

Conclusion

The Office of the Auditor General continually strives to assist the Legislature in performing its oversight function and to improve the financial management and operations of State departments and agencies.

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Auditors General of Michigan

HISTORICAL LISTING

Thomas H. McTavish, C.P.A.	1989 -
Charles S. Jones, C.P.A. (acting)	1989-1989
Franklin C. Pinkelman, C.P.A.	1982-1989
Albert Lee, C.P.A.	1965-1982
Allison Green (acting)	1965-1965
Billie S. Farnum	1961-1964
Otis M. Smith	1959-1961
Frank S. Szymanski	1956-1959
Victor Targonski	1955-1956
John B. Martin, Jr.	1951-1954
Murl K. Aten	1947-1950
John D. Morrison, C.P.A.	1945-1946
Vernon J. Brown	1939-1944
George T. Gundry	1937-1938
John J. O'Hara	1935-1936
John K. Stack, Jr.	1933-1935
Oramel B. Fuller	1909-1932
James B. Bradley	1905-1908
Perry F. Powers	1901-1904
Roscoe D. Dix	1897-1900
Stanley W. Turner	1893-1896
George W. Stone	1891-1892
Henry H. Aplin	1887-1890
William C. Stevens	1883-1886
W. Irving Latimer	1879-1882
Ralph Ely	1875-1878
William Humphrey	1867-1874
Emil Anneke	1863-1866
Langford G. Berry	1861-1862
Daniel L. Case	1859-1860
Whitney Jones	1855-1858
John Zwiegles, Jr.	1851-1854
John J. Adams	1848-1850
Digby V. Bell	1846-1848
John J. Adams	1845-1846
Charles G. Hammond	1842-1845
Henry L. Whipple	1842-1842
Alpheus Felch	1842-1842
Erotus P. Hastings	1840-1842
Henry Howard	1839-1840
Robert Abbott	1836-1839

Mission and Overview

Mission

The mission of the Office of the Auditor General (OAG) is to improve the accountability for public funds and to improve the operations of State government for the benefit of the citizens of the State of Michigan. The OAG best accomplishes its mission by committing to total quality; by adhering to the professional standards of the auditing profession; and by promoting an atmosphere of mutual trust, honesty, and integrity among OAG staff and the people they serve.

...to improve the accountability for public funds and to improve the operations of State government...

Responsibility

The State Constitution established the OAG within the legislative branch of State government. The OAG 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.

Government officials and employees are accountable to the citizens of the State of Michigan for the proper handling of public funds and are responsible for managing State resources effectively, efficiently, and economically. OAG audit reports provide a continuing flow of information to assist the Legislature in its oversight of more than 90 individual State funds and an annual budget of approximately \$43 billion. OAG audit reports also provide citizens with a measure of accountability and assist department administrators by providing an independent and objective evaluation of their operations. The OAG's overall goal is to improve accounting and financial reporting practices and to promote effectiveness, efficiency, and economy in State government.

...to assist the Legislature in its oversight of more than 90 individual State funds and an annual budget of approximately \$43 billion.

Audit activities are performed in accordance with generally accepted auditing standards of the American Institute of Certified Public Accountants and *Government Auditing Standards* issued by the Comptroller General of the United States.

Organization and Operation of the OAG

The OAG is under the direction and control of the Auditor General, Thomas H. McTavish. Mr. McTavish is the principal executive and has ultimate responsibility for OAG policies and practices.

The Auditor General has appointed Scott M. Strong as Deputy Auditor General. Mr. Strong also serves as the Director of Audit Operations and acts as the Auditor General's principal aide in carrying out the management responsibilities and audit activities of the OAG.

The OAG is organizationally divided into four areas of responsibility:

The OAG is organizationally divided into one bureau and three offices.

- The Bureau of Audit Operations is responsible for conducting independent post financial and performance audits of the State of Michigan's executive, legislative, and judicial branches of government, including its universities and community colleges. The Bureau also performs specific reviews in response to legislative requests. In addition, the Bureau participates in joint National State Auditors Association audits with other states' audit agencies.
- The Office of Professional Practice is responsible for performing quality assurance reviews of audit reports and working papers, editing the audit reports, and conducting accounting and auditing research.
- The Office of Information Technology is responsible for managing the OAG local area network,

maintaining the management information system, and providing computer support and software assistance to all OAG staff.

- The Office of Administration is responsible for human resource management; accounting and budgeting; audit report production; and officewide printing, purchasing, and clerical support.

A chart depicting this organizational structure is presented on page 7.

Communication and State Relationships

The OAG is committed to establishing and maintaining communication with all three branches of State government, as well as other entities subject to oversight by the OAG, which includes universities and community colleges.

OAG audit reports are the formal, written, and primary means of communicating the results of audit efforts. In addition to the reports, the OAG also focuses on communication and maintaining good working relationships before and after the issuance of audit reports. The OAG has established processes to communicate its audit plans to auditees and the Legislature, to issue periodic status reports to the House and Senate leadership, to issue quarterly summaries of audit reports, and to provide briefings and testimony before legislative committees. Additionally, the OAG issues an annual report on the operations of the OAG to the Governor, the legislative leaders, and each member of the Legislature.

To achieve the widest distribution of its audit efforts, the OAG posts copies of its audit reports, and a copy of the annual report, to its Web site at *<http://audgen.michigan.gov>*.

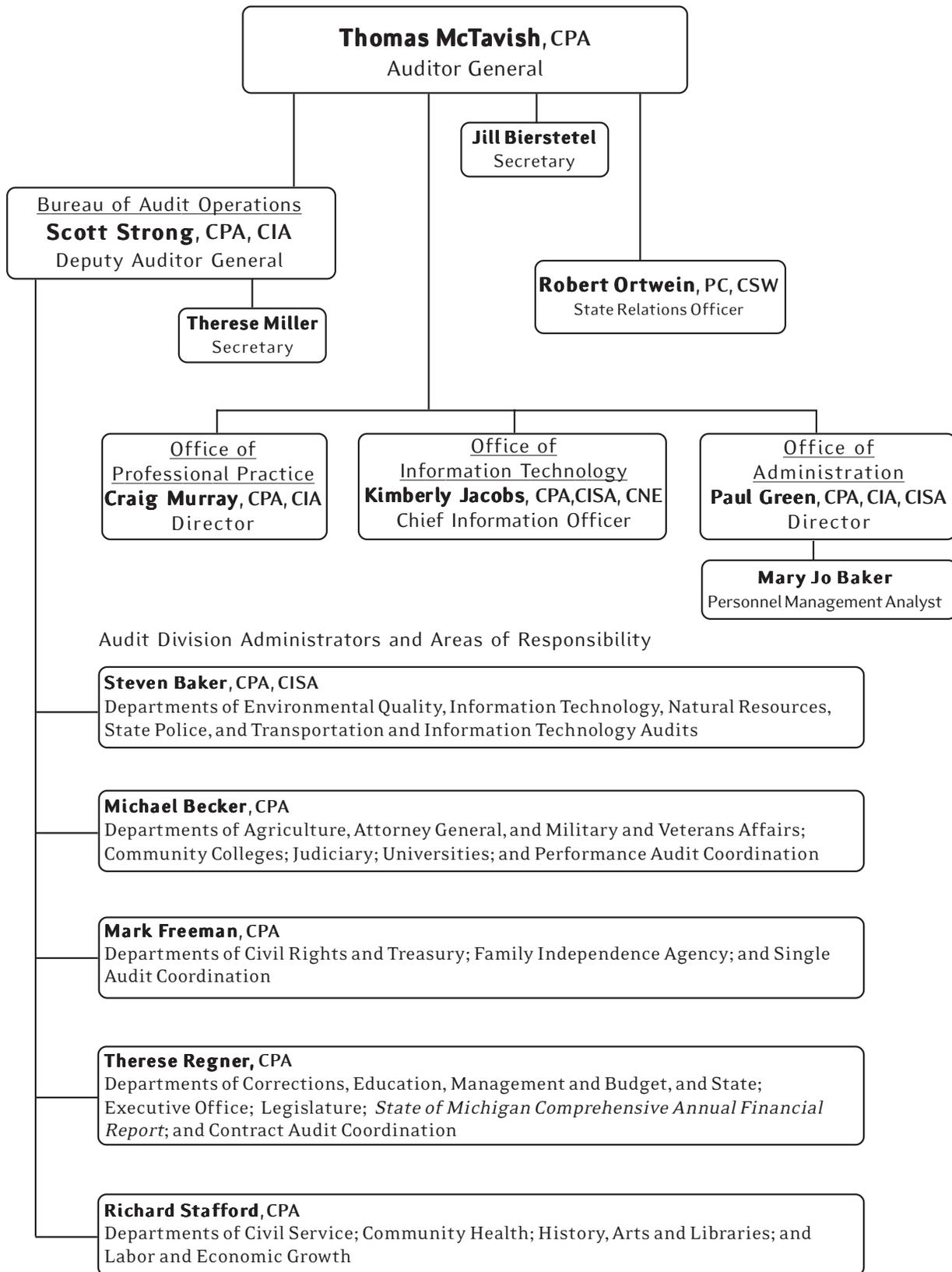
Furthermore, the OAG employs a State Relations Officer, whose primary responsibility is to enhance communication and effective relationships with the Legislature, the legislative leadership, and the Executive Office. The State Relations Officer also facilitates communication with the legislative fiscal agencies, judicial branch, State departments, and universities and community colleges.

Continuous Quality Improvement Efforts

The OAG's continuous quality improvement initiatives assist in developing quality improvement goals to focus efforts on providing timely and relevant audit services and reports. Measures to monitor progress in meeting these goals are also developed.

Each of the organizational areas within the OAG has developed improvement goals and objectives and performance measurement indicators. The OAG is committed to its continuous quality initiatives as it strives for further improvements in the future.

Organizational Structure



Mission and Overview

Office of the Auditor General Employees

201 N. Washington Square
Lansing, Michigan 48913

(517) 334-8050
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A., AUDITOR GENERAL
Jill A. Bierstetel, Secretary

Scott M. Strong, C.P.A., C.I.A., Deputy Auditor General
Therese M. Miller, Secretary

Robert T. Ortwein, P.C., C.S.W., State Relations Officer

AUDIT OPERATIONS

Scott M. Strong, C.P.A., C.I.A., Deputy Auditor General and Director of Audit Operations

Assistant to the Director of Audit Operations

Calvin L. Kladder, C.I.A.

Audit Division Administrators

Steven J. Baker, C.P.A., C.I.S.A.

Therese A. Regner, C.P.A.

Michael R. Becker, C.P.A.

Richard A. Stafford, C.P.A.

Mark A. Freeman, C.P.A.

Audit Managers

Thomas J. Beuerle, C.P.A.

Assists Mr. Stafford

Laura J. Hirst, C.P.A.

Assists Ms. Regner

Elden N. Lamb

Assists Mr. Becker

Melissa A. Schuiling, C.P.A., C.I.S.A.

Assists Mr. Baker

Gerald A. Schwandt

Assists Mr. Freeman

Principal Audit Supervisors

Donna L. Ackley, C.P.A.
John T. Cotter, Jr., C.P.A.
Susan M. Curtis, C.P.A.
Lynn R. Green, C.P.A.

Scot E. Hazel
Beau A. Hill, C.P.A.
Amy J. Zimmerman, C.P.A.

Senior Audit Supervisors

Richard T. Aapala
Gary A. Curtis
Melinda S. Hamilton
Elmer R. Hess, Jr.
Daphne Y. Hobson, C.P.A.
Brian C. Hovey, C.P.A.
Tracy L. Jelneck, C.P.A.
Mary Jo Koschay, C.P.A.
Steven R. Koschay, C.P.A.

Mary L. Lowe, C.P.A.
Sid V. Lundquist
Lawrence J. McCliment, C.P.A.
Lisa L. Pratt, C.P.A.
Susan H. Rosenbaum
Kathy J. Schroeder, C.P.A., C.I.S.A.
Kevin L. Warner, C.P.A., C.I.S.A.
Bryan W. Weiler
Jeffrey L. Zemke

Audit Supervisors

Kevin C. Baker, C.P.A.
Yvonne L. Benn, C.P.A.
Karen J. Bosworth, C.P.A.
Shelly M. Fanson, C.P.A.
Michael T. Gardner, C.P.A.
William L. Harper

Mary Kay Mays
Frank A. Natschke, C.P.A.
Carri A. Simon, C.P.A.
Duane L. Smiley, C.P.A.
Silhouette T. Street, C.P.A.

Mission and Overview

Senior Auditors

Anthony A. Alvord, C.P.A.
Cheryl A. Baker, C.P.A.
James A. Berridge
Kelly L. Blessing
Heather A. Boyd, C.P.A.
Michele M. Elms, C.P.A.
Hilary J. Goerge
Julius Hampton, Jr.
Pamela M. Huffman, C.P.A.
Daniel T. Jaroche, C.P.A.
Brian K. Kent, C.P.A.

Lora J. Mikula, C.P.A.
Lori S. Mullins
Carol A. O'Callaghan, C.P.A.
Thomas D. Ongstad
Eileen M. Schneider, C.P.A.
Gregory J. Schroll, C.P.A.
Nancy Jo Serna, C.P.A.
Tamara W. Torongo, C.P.A.
Julie L. Trierweiler, C.P.A.
Michael J. Ventura, C.P.A.
Rod A. Wlock

Staff Auditors

Melanie A. Alvord
Dawn M. Anderson
Renate S. Anderson
Kevin D. Bashore
Kelly M. Bernath
Ivy M. Britting
Angela M. Brown-Schafer
Brian T. Buckner
Patricia A. Chooi, C.P.A.
Aaron S. David
Diane L. DeLuca, C.P.A.
Julie A. Dexter
Michael J. Foerster
Jill E. Gard
Lisa S. Harral, C.P.A.
Shawna M. Hessling
Laura M. Ingalls
Paul J. Jacokes, C.P.A.
Corrie A. Jameson
Timothy M. Johnson, C.P.A., C.I.A.

Renee L. Johnson-Maybee
Connie M. Jones, C.P.A.
Charles R. Kern, II
Lisa R. Kreiter
Karie S. Kusnier
Scott A. Kusnier
Mark A. Lee
Justin C. Londo
Dennis M. McMillan, C.P.A.
Susan D. Morway
Christopher C. Oosterhoff
Stacie L. Sampson
Sara A. Schondelmayer
Francis W. Thelen
Audra C. Turner, C.P.A.
Lori M. Wackerle
Scott R. Werner
Aimee M. Wingle, C.P.A.
Pamela J. Wininger

PROFESSIONAL PRACTICE

Craig M. Murray, C.P.A., C.I.A., Director

Quality Assurance

Alvin D. Bonds
Cindy L. Grover, C.P.A.
Mary A. Waterhouse, C.P.A.

Audit Report Review

Julie E. B. Chamberlain, C.P.A., Editor
Kelly L. Bengel, C.P.A.

Research and Professional Standards

Ronald A. Yarsevich, C.P.A.

INFORMATION TECHNOLOGY

Kimberly E. Jacobs, C.P.A., C.I.S.A., C.N.E., Chief Information Officer

Local Area Network and Computer Support Section

Jeffrey J. Mikula, C.N.A., Supervisor
Gabriele E. Brazee
Joshua N. Galloway

Thomas D. Mason, C.N.A.
Jason M. Michels, C.N.A.
David L. Newkirk, C.N.A.

Software Assistance Section

Andrew A. Mitchell, Supervisor
Erica L. Morris, C.P.A., C.I.S.A., Supervisor
David E. Batz, C.P.A., C.I.S.A.

Sandra L. Streb, C.P.A.
Elizabeth A. Torres

ADMINISTRATION

Paul J. Green, C.P.A., C.I.A., C.I.S.A., Director

Human Resources

Jackie S. Lawson, C.P.A.
Acting Assistant Director
Stephanie S. Roach
Professional Development Coordinator
Mary Jo Baker, Personnel Management
and Administrative Analyst

Office Services

Suzanne M. Kinney, Supervisor
Kelly R. Ancel
Rick L. Ettinger

Accounting and Budgeting

Michael E. Mrazek, Accounting and
Budgeting Specialist

Clerical Support

Chelsea M. Cunningham
Amanda A. Feldpausch
Donna J. Glowacki
Jenna L. Miller
Jarita E. Qawwee
Megan M. Quinn
Nicole L. Trierweiler

Project and Security Management

Dennis J. Strzalkowski

Payroll/MIS Input Unit

Theresa M. Fedewa

Types of Audits and Services Performed by the OAG

Financial Audits

- Financial statement audits are designed to provide reasonable assurance about whether the financial statements and/or schedules of an audited entity are presented fairly in all material respects in conformity with generally accepted accounting principles. Other objectives of financial audits, which provide for different levels of assurance and entail various scopes of work, may include providing special reports for specified elements, accounts, or items of a financial statement and/or schedule.
- Single Audits, which are financial audits performed in accordance with the Single Audit Act Amendments of 1996, are designed to meet the needs of all financial report users, including an entity's federal grantor agencies. Single Audits require the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with U.S. Office of Management and Budget Circular A-133.

Performance Audits

Performance audits, which include economy and efficiency audits and program audits, are designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve operational effectiveness and efficiency, to improve public accountability, and to facilitate decision making by parties responsible for overseeing or initiating corrective action. Follow-up reviews of material performance audit findings are also classified as performance audits.

Attestation Engagements

Attestation engagements involve examining, reviewing, or performing agreed-upon procedures on a subject matter or an assertion about a subject matter and reporting on the results. An attestation engagement can cover a broad range of financial or nonfinancial subjects.

Various types of audits complement each other.

Professional Standards

OAG audits are performed in accordance with the following professional standards:

- Generally accepted auditing standards of the American Institute of Certified Public Accountants
- *Government Auditing Standards* issued by the Comptroller General of the United States
- The federal Single Audit Act Amendments of 1996 and implementing regulations

Professional standards are strictly adhered to.

Independence

Government Auditing Standards issued by the Comptroller General of the United States and generally accepted auditing standards issued by the American Institute of Certified Public Accountants require auditor independence in fact as well as in appearance and specify what constitutes impairments to independence. The most recent National State Auditors Association external quality control review noted no impairments affecting the OAG's independence in providing auditing and other attestation services.

Independence standards are followed.

Value of OAG 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. Annually, OAG reports contain hundreds of recommendations that identify opportunities for improving effectiveness and efficiency in State

Information from audit reports can be used in making informed decisions with confidence.

operations and provide information needed by the Legislature to make decisions regarding the continuation of programs and levels of funding. These recommendations have historically resulted in annual financial savings of tens of millions of dollars.

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.

Many third party readers, including investors and creditors, and the citizens of Michigan use OAG audit reports.

To Whom and How Audit Reports Are Issued

Audit reports issued by the OAG are typically addressed to the audited entity's chief executive officer and/or the chair of its governing board or commission. Audit reports are typically forwarded via electronic mail.

On the day prior to the official release date of an audit report, copies of the audit report are sent to the following:

- The audited entity's chief executive officer and/or the chair of its governing board or commission
- House and Senate Quadrant Leadership
- Relevant House and Senate Standing Committee members
- Office of the Governor
- The legislator(s) who requested the audit (if applicable)

On the official release date, copies of the audit report are also sent to the following:

- All legislators
- House and Senate Fiscal Agencies
- Office of Financial Management, Department of Management and Budget (DMB)
- All others who have specifically requested a copy of the report being issued

The OAG does not issue press releases on any audit report. However, a copy of each audit report is sent to the Capitol pressroom.

OAG Contact With the Legislature

The audit report is the formal written contact that the OAG has with the Legislature. The OAG routinely provides legislative briefings to key members of oversight and appropriations committees and other members of the Legislature who have expressed a particular interest in specific topics or audit reports.

The audit report release process ensures broad distribution.

Audit reports, briefings, and hearings are ways that the OAG works with the Legislature.

In several instances, audit report briefings have resulted in legislators requesting OAG staff to testify at hearings on the audit report itself.

The Auditor General also testifies periodically on audit-related activities, as requested by the Legislature.

Reaction and Response to an Audit Report

Section 18.1462 of the *Michigan Compiled Laws* and DMB Administrative Guide procedure 1280.02 establish requirements for following up audit findings and recommendations for executive branch departments and subunits. The audited departments are required to develop formal responses to OAG audit findings and recommendations. This follow-up is in addition to the agency's preliminary response that is included in each OAG audit report.

Follow-up of OAG audit reports is provided for in law and administrative procedure.

Audited agencies are required to submit a formal response within 60 days after release of the audit report.

Audited agencies must submit a formal response covering all audit findings and recommendations to the director of the DMB Office of Financial Management within 60 days after release of the audit report, along with a response summary sheet indicating: (1) action completed, (2) recommendations to be complied with, and (3) contested findings and recommendations. Copies are also sent to the DMB Office of the State Budget as well as to the OAG.

Each response must state the agency's agreement or disagreement with the findings and recommendations. If in agreement, the response is to: (1) state the actions taken to address the findings and recommendations and when each action was completed or (2) state what actions will be taken to address the findings and recommendations and when such actions will be completed. If the audited entity is contesting audit findings or recommendations, the entity notes the specific area of disagreement and reason(s) for disagreement.

When the OAG performs an audit of a university or community college, the annual appropriations acts require the principal executive officer of the audited institution to submit a written response to the audit to the OAG, the House and Senate Fiscal Agencies, and the State budget director. Community colleges are also required to respond to the House and Senate Appropriations Committees and to the Department of Labor and Economic Growth. The response is due within 60 days after the audit report has been issued and should specify the action taken by the institution regarding the audit report's recommendations.

OAG Follow-Up on Material Findings

Audit reports that contain material findings and recommendations are routinely followed up with a limited scope review approximately six months after the release date of the audit report. In this way, the OAG can review the progress the auditee has made in complying with the recommendations and provide users of the audit report with timely information.

Material findings and recommendations are routinely followed up approximately six months after the release of the audit report.

Subsequent Audits

The preparation for subsequent audits begins with a preliminary survey, which includes reviewing the disposition of prior audit recommendations. The audited entity's official response to the prior OAG audit includes information explaining how it plans to comply with the OAG recommendations. Therefore, the OAG is able to review the status of all of the prior audit recommendations. For most recommendations, compliance will have been satisfactorily achieved. However, when compliance has not been achieved and the facts are substantially the same as before, the OAG will repeat the audit finding and recommendation(s) in the current report.

Audit Operations

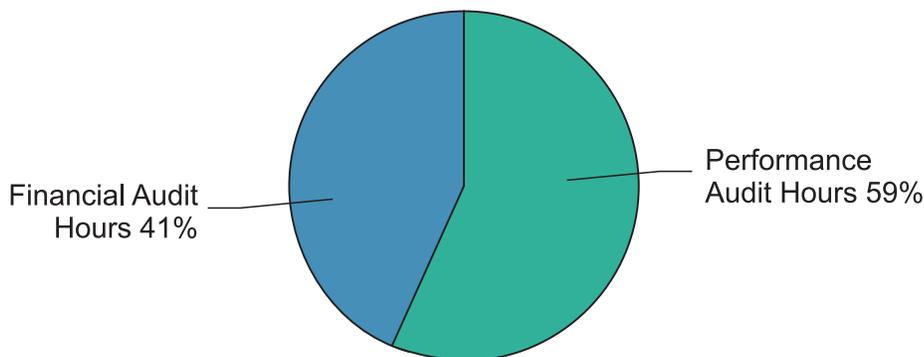
The Bureau of Audit Operations is responsible for financial and performance audits of all State government operations. The Bureau develops an annual audit plan in which audits are scheduled in accordance with a risk-based assessment. Financial audits are scheduled to support the OAG's opinion on the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*, to meet State and federal Single Audit requirements, and to comply with other State mandates. Performance audits are scheduled on a priority basis related to their potential for improving program effectiveness and efficiency.

The OAG contracts with public accounting firms for some financial audits. Contractual auditors are selected through a competitive bid process, typically for annually required audits of some State authorities. Contracting with these public accounting firms enables the Bureau to avoid excessive peak seasonal work loads, to complete the financial audits on a timely basis, and to allocate limited professional staff resources to help meet the OAG's increasing demands for performance audits.

During fiscal year 2003-04, we completed 64 audit and letter reports (see complete listing starting on page 49) and contracted for 21 additional audits. Our audits were either financial or performance in nature. In addition to its financial and performance audit staff, the Bureau of Audit Operations has an information systems audit staff that performs audits of the State's information processing centers and automated information systems.

The following graph shows the distribution of direct audit hours used for the different types of audits and reviews in fiscal year 2003-04:

DISTRIBUTION OF DIRECT AUDIT HOURS



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■ Financial Audit Hours 41% -- SOMCAFR Audit Hours 11%
Single Audit Hours 28%
Other Financial Audit Hours 2%

FISCAL YEAR 2003 - 04

Financial Audits

Approximately 41% of our direct audit hours were used for financial audits in fiscal year 2003-04.

The OAG conducts three types of financial audits:

1. An annual audit of the entire State entity reported in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*. Approximately 11% of our direct audit hours were used to complete the *SOMCAFR* audit.
2. Biennial audits, in conformance with the federal Single Audit Act Amendments of 1996, of State departments that receive significant federal funding. Approximately 28% of our direct audit hours were used to complete Single Audits.
3. Periodic audits of other departments, funds, and component units. The composition and frequency of the financial audits are generally based upon risk assessments conducted by the OAG, as well as State and federal mandates. Approximately 2% of our direct audit hours were used to complete other financial audits.

The OAG is committed to reducing the amount of resources used to conduct financial audits while maintaining high audit quality and conformance with all applicable auditing standards. Increased efficiencies from financial audits will be used to provide the resources for the OAG's increasing demands for performance audits.

Under our continuous quality improvement efforts, we have established goals and related objectives to improve the efficiency and timeliness of our financial audit reports.

We are in the process of further refining our audit approaches for the Single Audits, which should lead to significant reductions in the number of hours spent on these audits in the future.

***SOMCAFR* Audit**

The *SOMCAFR* is prepared by the Office of Financial Management (OFM), Department of Management and Budget (DMB). The *SOMCAFR* is composed of the basic financial statements of the State of Michigan, which include the government-wide financial statements, fund financial

The OAG is committed to reducing the amount of resources used to conduct financial audits while maintaining high audit quality and conformance with standards.

statements for the State's major funds, combining and individual fund financial statements for nonmajor funds, and statistical data. Included in the State's reporting entity are all funds, departments and agencies, bureaus, boards, commissions, and authorities that are considered an integral part of the primary government. Also included are component units, consisting of 12 authorities and 10 public universities, for which the State is financially accountable.

The OAG annually audits the *SOMCAFR* and the Auditor General issues an independent auditor's report on the State's basic financial statements. During fiscal year 2002-03, the OAG implemented new audit guidance for audits of state and local governments required by the American Institute of Certified Public Accountants. The new audit guidance required the OAG to complete audit work to support separate opinions on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. For the fiscal year 2002-03 *SOMCAFR*, the Auditor General's independent auditor's report, dated December 23, 2003, included unqualified opinions for each of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining funds.

The OAG recommended 23 audit adjustments of \$361.1 million during the course of completing the fiscal year 2002-03 *SOMCAFR* audit. State agencies and OFM made correcting entries for 10 of the 23 recommended adjustments. The net effect of the uncorrected adjustments was \$11.4 million and \$13.5 million in the government-wide and fund level statements, respectively. Significant audit adjustments identified during the fiscal year 2002-03 *SOMCAFR* audit included:

Government-Wide Statements and Fund Level Statements:

- OFM did not record accounts payable and related expenses as a result of adverse judgments received in two court cases. This error resulted in an understatement of the non-current portion of other long-term obligations and expenditures of \$49.2 million in the government-wide statements.
- OFM could not provide adequate documentation to support an increase in capitalized buildings during fiscal year 2002-03. This error resulted in an overstatement of buildings, equipment, and other depreciable assets of \$42.7 million and an overstatement of the non-current portion of other long-term obligations of \$41.0 million, the current portion of other long-term obligations of \$1.0 million, and accumulated depreciation of \$0.7 million in the government-wide statements.
- OFM did not properly classify net assets recorded in certain funds, resulting in an overstatement of net assets restricted for permanent funds - nonexpendable and an understatement of unrestricted net assets of \$41.1 million in the government-wide statements.
- The Department of Community Health used incorrect data for various components of the long-term care pipeline and cost settlement accrual calculations. These errors

resulted in an understatement of accounts payable and expenditures of \$17.0 million and an understatement of federal revenues and receivables of \$9.8 million in the General Fund and in the government-wide statements.

- OFM did not record some prior year accretion amounts and did not make adjustments for accumulated accretion related to amounts paid off at maturity dates. This error resulted in an overstatement of bonds and notes payable and expenditures of \$11.9 million in the government-wide statements.

Required Footnote Disclosures:

- OFM could not support its estimate used to calculate debt service requirements related to Multi-Modal School Loan Bonds disclosed in the *SOMCAFR* Note 12. We estimated that, based on the average interest rates for these types of bonds, the disclosure could be overstated by approximately \$94.8 million.
- OFM recorded principal payments in the wrong fiscal year and calculated interest for multi-modal bonds issued in fiscal year 2002-03 based on only the first principal payment due instead of the outstanding amount of the bond. These errors resulted in an understatement of interest of \$42.1 million in the debt service requirements section of the *SOMCAFR* Note 12.

Single Audits

In July 1996, the federal Single Audit Act was amended and the U.S. Office of Management and Budget expanded and reissued Circular A-133 as the audit requirement for state and local governments. The Single Audit Act requires state and local governments receiving \$300,000 or more of federal financial assistance in any fiscal year to have a comprehensive financial audit, including an assessment of the entity's compliance with federal program requirements. The recipients of the federal funding are required to submit the audit reports to the federal government within nine months of the end of the fiscal year. In accordance with Michigan statute (Act 251, P.A. 1985), the OAG audits approximately one-half of the applicable departments and agencies each year on a biennial audit cycle.

We completed the following Single Audits during fiscal year 2002-03:

1. Department of Agriculture
2. Department of Attorney General
3. Michigan Department of Career Development
4. Department of Civil Rights
5. Family Independence Agency
6. Department of History, Arts and Libraries
7. State-Funded Judicial Operations
8. Department of Management and Budget
9. Michigan Strategic Fund
10. Michigan Economic Development Corporation
11. Department of State
12. Michigan Department of Transportation

The material exceptions are summarized below:

- Michigan Department of Career Development
We concluded that the Department was not in compliance with the federal program subrecipient monitoring requirements. This resulted in a qualified opinion for the Adult Education - State Grant Program, Rehabilitation Services - Vocational Rehabilitation Grants to States, and Tech-Prep Education.
- Family Independence Agency
We concluded that the Family Independence Agency did not comply with the federal program requirements regarding activities allowed or unallowed; allowable costs/cost principles; eligibility; matching, level of effort, and earmarking; procurement and suspension and debarment; subrecipient monitoring; and special tests and provisions. This noncompliance resulted in our issuance of adverse opinions for the Refugee and Entrant Assistance Program: State Administered Programs, Foster Care: Title IV-E, and Chafee Foster Care Independent Living. In addition, we issued qualified opinions on the Food Stamp Cluster, Juvenile Justice and Delinquency Prevention: Allocations to States, Violence Against Women Formula Grants, Temporary Assistance for Needy Families, Child Support Enforcement, Low-Income Home Energy Assistance, Child Care Cluster, and Adoption Assistance. Further, the Family Independence Agency was unable to provide sufficient documentation supporting its compliance with the matching, level of effort, and earmarking requirements for the Violence Against Women Formula Grants and Chafee Foster Care Independent Living. We reported total net questioned costs of \$3.1 million. This report was issued in July 2004.
- Michigan Department of Transportation
We concluded that the Department was in compliance with federal program requirements for the 5 major federal programs audited. However, we did identify a significant weakness in the Department's internal controls developed to ensure that required testing of road materials was completed and documented.

We completed and issued the following Single Audits during fiscal year 2003-04:

1. Department of Community Health
2. Department of Consumer and Industry Services
3. Department of Corrections
4. Department of Education
5. Department of Environmental Quality
6. Department of Military and Veterans Affairs
7. Department of Natural Resources
8. Michigan Department of State Police

Our significant findings by department are summarized below

- Department of Community Health:
We issued unqualified opinions on the Department's compliance with federal program requirements for each of the 9 major federal programs. However, we did identify areas of noncompliance that resulted in the reporting of \$6.3 million of net questioned costs.

In our audit of the State Children’s Insurance Program eligibility requirement we noted that the Department had charged the program for 10,650 children who were not eligible for the program. However, of the 10,650 children identified as ineligible for the program, 9,700 were eligible for a similar program, the Healthy Kids Program. As a result, we reported net questioned costs of \$220,000.

In our audit of the Medicaid Program, we noted that the Department did not recover a hospital overpayment of \$1.9 million. As a result, the federal share of the overpayment, \$804,000 was reported as a questioned cost.

In our audit of the Block Grants for Prevention and Treatment of Substance Abuse, we noted that the Department did not comply with federal level of effort expenditure requirements. As a result, we reported questioned costs of \$4.9 million.

- **Department of Corrections**
We concluded that the Department did not comply with the federal program requirements regarding allowable costs/cost principles; eligibility; and equipment and real property management. As a result of the noncompliance, we issued qualified opinions on the Department’s Residential Substance Abuse Treatment for State Prisoners and Grants to States for Incarcerated Youth Offenders Programs. Further, the Department was unable to provide sufficient documentation supporting its compliance with the activities allowed or unallowed; allowable costs/cost principles; cash management; eligibility; matching, level of effort, and earmarking; period of availability of federal funds; and reporting requirements for the Byrne Formula Grant Program. We reported questioned costs of \$2.5 million.
- **Department of Education**
We concluded that the Department did not comply with the federal program requirements regarding reporting for the Food Donation Program and subrecipient monitoring requirements that are applicable to the Special Education Cluster, Eisenhower Professional Development State Grants, Charter Schools, and Class Size Reduction Programs. As a result of the noncompliance, we issued qualified opinions on the Department’s Food Donation Program, Special Education Cluster, Eisenhower Professional Development State Grants, Charter Schools, and Class Size Reduction Programs. Further, the Department was unable to provide sufficient documentation supporting its compliance with the Special Education Cluster reporting requirement. We reported questioned costs of \$3.6 million.
- **Michigan Department of State Police**
We concluded that the Department did not comply with allowable costs/cost principles and subrecipient monitoring requirements that are applicable to the Highway Safety Cluster. As a result of the noncompliance, we issued a qualified opinion on the Highway Safety Cluster. We reported questioned costs of \$2.8 million.

Other Financial Audits

The OAG conducts financial audits of certain funds, subfunds of the General Fund, and component units. Many of these audits are mandated by State statutes.

We conduct our financial audits in accordance with *Government Auditing Standards*; therefore, our audit objectives include (1) assessing and reporting on compliance with certain provisions of laws, regulations, contracts, and grants and on internal control over financial reporting and (2) auditing the financial statements and/or financial schedules.

During fiscal year 2002-03, we completed the following financial audits:

1. Michigan State Fair and Exposition Center (Fiscal Year 2000-01)
2. Michigan State Fair and Exposition Center (Fiscal Year 2001-02)
3. Executive Office
4. State Treasurer's Annual Report (Fiscal Year 2000-01)
5. State Treasurer's Annual Report (Fiscal Year 2001-02)
6. Michigan Education Trust Fund
7. Michigan Broadband Development Authority

During fiscal year 2003-04, we completed the following financial audits:

1. Michigan Legislative Retirement System
2. Michigan Strategic Fund
3. Michigan Economic Development Corporation
4. Transition in the Office of the State Treasurer
5. Transition in the Office of the State Treasurer
6. Commercial Mobile Radio Service Emergency Telephone Fund
7. Michigan Education Trust Plan D
8. Michigan Education Trust Plans B and C
9. Michigan Broadband Development Authority

Performance Audits

Approximately 59% of our direct audit hours were used for performance audits in fiscal year 2003-04.

Performance audits are conducted on a priority basis related to the potential for improving State government operations. Our primary objective for conducting performance audits is to improve the effectiveness, efficiency, and economy of State government operations. Effectiveness is producing the outcome desired by the citizens of Michigan and mandated by the Legislature, efficiency is a measure of useful services delivered compared with the resources applied, and economy is the prudent use of resources.

Our performance audits found that State departments, agencies, and programs generally operated in an effective, efficient, and economical manner. However, our audits resulted in numerous recommendations for further improving the programs audited.

Following are highlights from some of our performance audit reports:

Bureau of Local Government Services, Department of Treasury

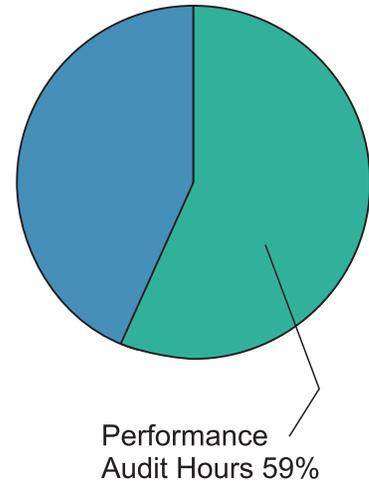
The audit report contained 29 findings, including 16 material conditions. The findings disclosed uncollected State tax revenues of \$82.8 million and estimated additional revenues of \$118.9 million.

The OAG concluded that the Bureau was not effective in administering the functions of the Department's local government services. Also, the OAG concluded that the Local Property Services Section was not effective and efficient in administering the delinquent property tax reversion process and the Special Assessment Deferment Fund. Further, the OAG concluded that the Local Audit and Finance Division was not effective and efficient in reviewing and conducting audits of local units of government.

Office of Professional Preparation Services (OPPS), Department of Education

OPPS needs to take a more proactive role in helping to ensure that teachers and other licensed school personnel with criminal convictions are reported to the Department as required by law.

The OAG determined that the Department was unaware that 106 individuals, 91 of whom were teachers, had criminal convictions and worked in schools during school year 2001-02. Criminal convictions for these individuals consisted mainly



of retail fraud, larceny, or alcohol related offenses. However, convictions also included robbery, assault, criminal sexual conduct, indecent exposure, and drug related offenses.

In addition, the Department did not have a process to verify that school districts employed certified teachers and to identify "out of field" teaching assignments. Therefore, it is likely that teachers lacking the appropriate qualifications, which research has shown to be a contributing factor in low student achievement, taught some students. Further, the Department cannot ensure compliance with State and federal requirements, including the No Child Left Behind Act. Although effective after our fieldwork completion, this federal act requires states to report teacher qualifications, including the percentage of classes not taught by highly qualified teachers beginning with school year 2002-03.

Criminal Investigation Programs, Michigan Department of State Police

The Michigan State Police Investigative Resources section did not keep the Sexually Motivated Crime Database updated with the sexually motivated crime reports that it received from law enforcement agencies. The incompleteness of the Database reduces its effectiveness as an investigative tool to aid law enforcement agencies in the investigation, identification, and apprehension of criminals.

State Universities' and Community Colleges' Submission of Use and Finance Statements

Annual capital outlay appropriations acts require State universities and community colleges to obtain authorization from the Joint Capital Outlay Subcommittee (JCOS) prior to letting a contract for new construction of a non-State-funded project estimated to cost more than \$1,000,000. State universities and community colleges seek approval by submitting a use and finance statement to JCOS and the Department of Management and Budget.

Of the 336 State university projects requiring the submission of a use and finance statement to JCOS, 9 State universities initiated 53 new construction projects for which the State universities did not submit use and finance statements. Also, of the 49 community college projects requiring submission of a use and finance statement to JCOS, 5 community colleges initiated 22 new construction projects for which the community colleges did not submit use and finance statements.

University House Project, Eastern Michigan University

The University did not maintain sufficient budgetary control over the University House project expenditures. In addition, the University did not submit use and financing statements and receive Joint Capital Outlay Subcommittee (JCOS) approval for the University House capital outlay project prior to awarding contracts

and completing the project. Further, the University did not include all costs and financing known to the University at the time (after project completion) it submitted the use and financing statement for the University House capital outlay project.

Total direct expenditures related to the University House project as of December 2003 were \$5.3 million. Total other costs associated with the University House project were an additional \$0.7 million. A substantial portion of the budgeted (\$3.5 million) and the total (\$5.3 million) direct cost of the University House project was funded using University operating revenues, which is prohibited by capital outlay appropriations acts unless approved by the Department of Management and Budget and JCOS .

Intake to Parole Process, Department of Corrections (Follow-Up Review)

This review, conducted upon a legislative request for information, provided follow-up on two selected findings and three related recommendations reported in our performance audit of the Intake to Parole Process, Department of Corrections.

Regarding Parole Board data, we determined that the Department's corrective action provided results ranging from some to significant improvement in the Parole Board's data error rates. Data entered to evaluate prisoners' current sentence and prior criminal history was incorrect in 51 (4%) of 1,200 instances. Also, data involving misconducts, assaultive and property risk, and age categories was incorrect in 9 (2%) of 420 instances. Further, data involving security classifications, programming, and mental health categories was incorrect in 7 (1%) of 720 cases.

Regarding parole eligibility reports (PERs), we determined that the Department's corrective action brought it into partial compliance with statutes and procedures for preparing PERs. However, the Department's corrective action resulted in substantial compliance by changing the PER process to better meet the needs of the Parole Board.

Mound Correctional Facility, Department of Corrections

The Facility did not properly complete and monitor gate manifests to ensure that the movement of critical and dangerous items into and out of the Facility was properly controlled. Also, the Facility needs to improve its control over critical and dangerous tools. In addition, the Facility did not conduct or properly document the completion of all security monitoring exercises. Further, the Facility had not documented the completion of all required prisoner counts and did not ensure that corrections officers performed and documented the required number of prisoner shakedowns and cell searches.

Single Business Tax (SBT) Program Within the Return Processing and Customer Contact Divisions, Department of Treasury

The Return Processing Division (RPD) had not established effective management controls to minimize the risk of unauthorized access to and use of the SBT System.

Also, RPD needs to improve its process for ensuring that taxpayers file annual tax returns and remit the appropriate SBT as required by the SBT Act. In addition, RPD needs to notify taxpayers of its intent to assess SBT when the taxpayers have not responded to delinquency notices within the required 30 days.

Further, the Customer Contact Division had not established effective management controls related to Michigan Taxpayer Database (MTDB) system access and security. As a result, selected users had the capability to change SBT return calculations and overpayment amounts, create refunds, and change taxpayer information in MTDB.

Bureau of Health Services, Department of Community Health

The Bureau did not investigate allegations of improper conduct by health professionals in a timely manner. As a result, disciplinary actions, if applicable, were not imposed within time frames specified by statute. Also, the Bureau did not conduct continuing education audits of individuals in a timely manner and did not sanction individuals who had not obtained required continuing education. In addition, the Bureau needs to improve its monitoring of sanctions imposed against health professionals to ensure that disciplinary actions are properly enforced.

Further, the Bureau did not competitively bid its contracts for the Health Professional Recovery Program (HPRP) and prescription reporting services and did not verify the propriety of all charges submitted by the HPRP contractor for reimbursement.

Forensic Science Division, Michigan Department of State Police

The Combined DNA Index System (CODIS) database is incomplete and, therefore, not effectively fulfilling its purpose to provide assistance to law enforcement agencies in investigating and solving crimes. The effectiveness of CODIS was hindered because the Division did not have sufficient resources to process the DNA samples in a timely manner and law enforcement agencies were not submitting all required DNA samples. Failure to obtain, process, and upload DNA samples into CODIS in a timely manner has several consequences. It may reduce the ability of law enforcement agencies to identify and prosecute offenders, which would result in crimes remaining unsolved and offenders remaining free to commit other crimes. Also, it may result in an inefficient use of law enforcement resources in

investigating crimes, which would further strain the already limited resources of many law enforcement agencies. Further, the inability to match a DNA sample may result in an innocent person being wrongly suspected of or charged with a crime.

Office of Career and Technical Preparation (OCTP), Michigan Department of Career Development

OCTP had not established performance standards pertaining to specific Career and Technical Education (CTE) program-related placements and analyzed available program-related data to evaluate the effectiveness of specific CTE programs on a Statewide and individual school district basis.

OCTP should improve its processes for evaluating CTE and Tech Prep Program effectiveness to better identify school district CTE and Tech Prep programs that are less effective and in need of improvement.

OCTP had not established a comprehensive monitoring process to help ensure that the school district CTE and Tech Prep programs operated in compliance with programs requirements. Also, OCTP did not perform added cost audits of school district CTE programs to provide reasonable assurance that financial and pupil count data was accurate and did not follow up on exceptions or questionable items in school district Career and Technical Education Expenditure Reports to ensure that the districts' reported corrective actions were appropriate.

Central Reservation System (CRS), Department of Natural Resources (DNR)

DNR needs to identify unfair reservation practices and implement changes to ensure that its underlying reservation and cancellation policies are effective in promoting a fair and equitable system for all customers using CRS. By using a reservation, cancellation, and re-reservation process and canceling days from the beginning period of their original reservation, some customers were able to obtain reservations for the choice camping locations and dates in advance of the customers who waited until six months in advance of their planned arrival date to attempt to make their reservation.

Surface Water Program, Water Division, Department of Environmental Quality

The Water Division did not take steps to ensure that all programs met program requirements and expectations. Our review disclosed that the Water Division did not effectively operate the Septage or Biosolids Programs. Also, the Water Division should continue to enhance the Great Lakes Program by assisting in the preparation of biennial progress reports for remedial action plans. Further, the Water Division did not ensure that district staff completed monitoring responsibilities in the Storm Water Program.

Michigan Gaming Control Board, Department of Treasury

The Board's Audit Section's efforts did not provide full assurance that the casinos had developed and implemented controls over the reliability of financial reporting and compliance with applicable laws and regulations.

Also, the Board's tribal gaming oversight efforts did not effectively ensure that applicable tribal casinos submitted the required amounts to the credit of the Michigan Strategic Fund from their revenues generated by electronic games of chance.

Further, the Board's Regulation and Compliance Section needs to improve the effectiveness of its casino monitoring process.

Office of Highway Safety Planning (OHSP), Michigan Department of State Police

OHSP did not seek amendatory legislation to modify the formula used to allocate Secondary Road Patrol (SRP) Program funds to counties. As a result, counties received SRP funds based on road mileage and population data that was over 25 years old. Therefore, counties that have had large increases in road miles and population since 1977 are not receiving an equitable distribution of the funds in relation to their increased responsibilities for secondary road patrol and traffic accident prevention.

OHSP did not take steps to ensure that it was receiving the most reasonable price for the services provided by grantees. Failure to competitively bid or document that costs are reasonable may result in the State overpaying for services and having to repay the federal government for disallowed grant costs.

Human Resources Management Network (HRMN) Self-Service, Department of Civil Service (DCS)

DCS did not sufficiently evaluate and minimize the risk of providing confidential State employee and dependent data over the Internet through HRMN Self-Service. Appropriate evaluation and risk assessment would minimize vulnerabilities to the State and to State employees resulting from unauthorized access.

Automated Information Systems, Department of State and Department of Information Technology

The Departments had not fully implemented a comprehensive information systems security program. Also, the Departments had not established effective organizational controls to support mainframe information systems. Further, the Departments did not control access to a critical production system account and job-scheduling utility.

The Departments had not established effective access controls over mainframe information system files. Also, the Departments had not established effective access controls over mainframe production information systems. Further, the Departments had not established effective program and data change controls.

Wayne State University

The University did not have a Universitywide policy addressing repetitive course enrollments and excessive marks of "X" (insufficient work) and "W" (official withdrawal) and their impact on undergraduate student academic progress and efficient use of resources. Also, the University generally did not monitor repetitive enrollments and excessive marks of "X" and "W" and identify and counsel those undergraduate students found not to be making satisfactory academic progress.

The University needs to update its general education competency requirements and the courses and examinations used for satisfying these requirements. The general education competency requirements and courses used to satisfy them must be updated quickly to ensure that current students attain the necessary fundamental skills that will allow them to succeed in college and to function as educated citizens.

Parks and Recreation Bureau, Department of Natural Resources

The Bureau did not conduct on-site inspections of harbors and boating access sites to ensure that site operators were in compliance with contract requirements. Without regular inspections, the State lacks assurance that local units of government are properly maintaining harbors and boating access sites.

Legislative Requests

OAG reports provide objective, unbiased, and independently developed information that members of the Legislature confidently use in making State policy decisions. The OAG responds directly to requests from the Legislature to review activities, programs, or funds not included in the scope of scheduled audits. Legislators often become aware of problems or areas of concern and communicate them to the OAG for review. Legislators' intimate knowledge of State government programs and their close contact with constituents provide an important resource for the OAG's risk assessment process for identifying audit priorities.

Responding to legislative requests is an important function of our office because the OAG is the only agency in State government that has the sole responsibility to act as the overseer of public funds on behalf of the Legislature.

Sometimes the OAG addresses legislative requests within the scope of performance audits. In other instances, if the scope of the request is narrow and/or time is of the essence, the requests are satisfied through special projects and review reports. Requests frequently result in the OAG evaluating program outcomes, analyzing program expenditures, and determining if program operations were in compliance with applicable statutes and regulations.

The OAG's responsiveness to legislative requests clearly serves the public interest. Most audits and reviews resulting from legislative requests have confirmed the existence of problems and resulted in recommendations to correct or improve government operations, sometimes through amendatory legislation. Our responsiveness enhances the Legislature's ability to carry out its oversight responsibilities in a way that is consistent with the best interests of the citizens of Michigan.

Responding to legislative requests is an important function of our office.



The Michigan Legislature

The legislative power of the State of Michigan is vested in a bicameral (two-chamber) body comprised of the Senate and the House of Representatives. The Senate consists of 38 members and the House of Representatives consists of 110 members.

The State Legislature enacts the laws of Michigan; levies taxes and appropriates funds from money collected for the support of public institutions and the administration of the affairs of State government; proposes amendments to the State Constitution, which must be approved by a majority vote of the electors; and considers legislation proposed by initiatory petitions. The Legislature also provides oversight of the executive branch of government through the administrative rules and audit processes, committees, and the budget process; advises and consents, through the Senate, on gubernatorial appointments; and considers proposed amendments to the Constitution of the United States. The majority of the Legislature's work, however, entails lawmaking. Through a process defined by the State Constitution, statute, and legislative rules, the Legislature considers thousands of bills (proposed laws) during each two-year session.

National Awards

National Legislative Program Evaluation Society (NLPES)

The OAG actively participates in NLPES, which is associated with the National Conference of State Legislatures. All legislative staff who conduct program evaluations or performance audits are NLPES members. NLPES promotes professionalism, training, and the exchange of ideas and information about legislative program evaluation.

NLPES annually solicits its members to submit one released report for consideration of an "Impact Award." This national award honors participating legislative offices that have produced work which has demonstrably improved state government. NLPES's selection criteria for the award are:

- Dollar savings from implementing audit recommendations.
- Program improvements as a result of implementing audit recommendations.
- Impacts from the legislature's perspective.
- Impacts from the public perspective.
- Impacts from other organizations' perspectives.

The OAG earned impact awards in both fiscal years 2002-03 and 2003-04. These national awards recognized the OAG's continued efforts. The OAG has earned impact awards for all six years that the OAG has participated in the NLPES Awards Program.

2003 NLPES Impact Award

The OAG received a 2003 Impact Award for the performance audit of the Certificate of Need (CON) Program, Certificate of Need Commission, Department of Community Health (DCH). The audit team consisted of Bryan Weiler, Melanie Alvord, Mark Lee, Thomas Beuerle, and Richard Stafford.



This project is an excellent example of a high profile and high impact performance audit of an issue that was of extremely high interest to the Legislature, to the State's medical community, to the media, and to the State's citizens in general.

This audit was conducted in response to a legislative request. The audit report contained 5 audit findings, 3 of which were classified as material conditions. These 3 material conditions coincided directly with the primary legislative concerns with the CON Program. We concluded that DCH and the CON Commission had not evaluated the CON Program to determine whether the CON Program was achieving its goal of balancing cost, quality, and access issues and ensuring that only needed services were developed in Michigan. We also concluded that DCH was generally not effective or efficient in monitoring approved CON projects or in monitoring health care facilities' and service providers' compliance with applicable CON provisions. DCH's preliminary response to the audit report indicated that it agreed with our recommendations and that it had taken steps to implement them.

2004 NLPES Impact Award

The OAG received a 2004 Impact Award for the performance audit of Selected Probate Court Conservatorship Cases. The audit team consisted of Lisa Pratt, Theresa Barsch, Shawna Hessling, Andrew Mitchell, Raymond Vernellis, Elden Lamb, and Michael Becker.



This audit report contained 10 findings and 11 corresponding recommendations. The report demonstrated the need for probate courts to address the lack of accuracy and validity in conservators' annual accountings and the probate courts' lack of effectiveness in administering and monitoring conservatorship cases. In response, the State Court Administrative Office agreed with the findings and initiated a follow-up investigation of conservatorship cases and probate court activities.

Audit Operations Project Team Award

The Audit Operations Project Team Award (AOPTA), established in 1992, continues to recognize exceptional efforts of project teams within the Bureau of Audit Operations on a biannual basis.

September 2002 AOPTA

The performance audit of the Certificate of Need Program (CON), Certificate of Need Commission, Department of Community Health was the recipient of the AOPTA for the six months ended September 30, 2002. The audit team consisted of Bryan Weiler, Melanie Alvord, Mark Lee, Thomas Beuerle, and Richard Stafford.

This audit was conducted in response to a legislative request. The audit report contained 5 audit findings, 3 of which were classified as material conditions. These 3 material conditions coincided directly with the primary legislative concerns with the CON Program. We concluded that DCH and the CON Commission had not evaluated the CON Program to determine whether the CON Program was achieving its goal of balancing cost, quality, and access issues and ensuring that only needed services were developed in Michigan. We also concluded that DCH was generally not effective or efficient in monitoring approved CON projects or in monitoring health care facilities' and service providers' compliance with applicable CON provisions. DCH's preliminary response to the audit report indicated that it agreed with our recommendations and that it had taken steps to implement them.



The award for the six-month period ended September 30, 2002 was presented to the team of (left to right) Thomas Beuerle, Mark Lee, Melanie Alvord, Bryan Weiler, and Richard Stafford.

March 2003 AOPTA

The performance audit of Hunting Permits Selection, Department of Natural Resources, was the recipient of the AOPTA for the six months ended March 31, 2003. The audit team consisted of Susan Curtis, Pamela Huffman, Andrew Mitchell, James Vogel, and Gary Brown.

The audit report contained 5 findings and 6 corresponding recommendations. The findings addressed issues in the areas of applicants' use of multiple types of identification, multiple limited quota licenses, incomplete or invalid applicant information, leftover licenses, and management control over the selection process.

The audit team identified several areas in which the hunting permits selection function was vulnerable to circumvention by applicants. The team also determined that the vulnerability had not yet been significantly exploited. The audit report was well received by the Natural Resources Commission. The pertinent committee of the Commission held an extensive public discussion on the audit report. The committee chair concluded the meeting by expressing appreciation for the work done and the positive focus of the report.



The award for the six-month period ended March 31, 2003 was presented to the team of (left to right) Andrew Mitchell, Pamela Huffman, Gary Brown, Susan Curtis, and James Vogel.

Audit Operations

September 2003 AOPTA

The performance audit of Selected Probate Court Conservatorship Cases was the recipient of the AOPTA for the six months ended September 30, 2003. The audit team consisted of Lisa Pratt, Theresa Barsch, Shawna Hessling, Andrew Mitchell, Raymond Vernellis, Elden Lamb, and Michael Becker.

The audit report contained 10 findings and 11 corresponding recommendations. The findings addressed the lack of accuracy and validity in conservators' annual accountings and the probate courts' lack of effectiveness in administering and monitoring conservatorship cases. The audit team did a fine job of performing the various audit functions that resulted in an exceptional audit report. In particular, the audit team did an excellent job of coordinating with the State Court Administrative Office and various probate courts selected for review. As a result of excellent supervisory leadership and team dedication, the entire audit process was well planned and well executed.

The significance of the audit report's findings was demonstrated by the amount of media interest and the number of articles written, including analyses and interviews with probate judges around the State.

In response to the audit report, the State Court Administrative Office initiated its own review of all conservatorship cases identified as exceptions in our audit report to assess the impact of any statutory and procedural noncompliance.



The award for the six-month period ended September 30, 2003 was presented to the team of (left to right) Elden Lamb, Shawna Hessling, Lisa Pratt, Theresa Barsch, and Michael Becker. Missing from the picture are Andrew Mitchell and Raymond Vernellis.

March 2004 AOPTA

The performance audit of the Bureau of Local Government Services, Department of Treasury, was the recipient of the AOPTA for the six months ended March 31, 2004. The audit team consisted of Beau Hill, Hilary Goerge, Stacie Sampson, Julie Trierweiler, Elden Lamb, and Michael Becker.

The audit report contained 29 findings, including 16 material conditions. The findings disclosed uncollected State tax revenues of \$82.8 million and estimated additional revenues of \$118.9 million. Of the four objectives addressed by the report, the audit concluded that the Department was not effective for three of these objectives.

The audit team did a fine job of performing the various audit functions that resulted in a long but excellent audit report. In particular, the audit team did an exceptional job of coordinating with a new administration within the Department and State government. Also, the team demonstrated superior dedication as numerous exchanges of information occurred between the team and the Department in order to finalize an audit report of this caliber and impact.

With the identification of millions of dollars of uncollected tax revenues and estimated additional revenues, the report generated considerable legislative and media interest as displayed through legislative hearings and telephone inquiries.



The award for the six-month period ended March 31, 2004 was presented to the team of (left to right) Beau Hill, Michael Becker, Stacie Sampson, Hilary Goerge, Julie Trierweiler, and Elden Lamb.

Our audit effort requires the support of three organizational units: the Office of Professional Practice, the Office of Information Technology, and the Office of Administration.

Office of Professional Practice

The Office of Professional Practice support services include performing quality assurance reviews of audit reports and working papers; editing the audit reports for substance, correctness, and style; and conducting accounting and auditing research to keep staff abreast of ever changing professional standards, pronouncements, and trends. Also, the Office coordinates the National State Auditors Association triennial external quality control review (peer review) of the OAG, as well as the OAG's participation in the peer reviews of other states' audit agencies.

Oversees the quality control system of the OAG

The Office of Professional Practice oversees the quality control system of the OAG and provides guidance to audit division administrators, audit managers, and supervisors to improve audit services and reports prior to completion of the audit fieldwork. The Office also provides assistance to professional staff to ensure that all audit reports and working papers meet not only the standards of our profession but also the high quality standards of the OAG. In addition, the Office has developed quality improvement goals that complement the vision, goals, and objectives developed by the Bureau of Audit Operations.

Reviews audit reports and working papers to ensure compliance with professional standards

Quality Assurance

Quality Assurance staff review OAG audit reports and related working papers to ensure compliance with professional standards issued by the Governmental Accounting Standards Board, the Comptroller General of the United States, and the American Institute of Certified Public Accountants, as well as policies and procedures of the OAG. These quality assurance reviews, conducted in conjunction with management's report review and the report editing functions, are a fundamental part of our overall system of quality control. The reviews provide an assessment of audit quality, both on individual audits and on an officewide basis, and identify issues requiring further policy and procedure development. During the course of our audit fieldwork, audit staff frequently consult with Quality Assurance staff on issues related to conducting and reporting on the various types of audits.

Quality Assurance staff may conduct reviews of selected audit engagements performed by contracted public

accounting firms to determine compliance with contract provisions and adherence to professional standards. In fiscal year 2003-04, the OAG contracted with public accounting firms to perform 21 separate audit engagements.

Audit Report Review

Well-written audit reports clearly convey the results of our audit effort to the reader. To accomplish this, Audit Report Review edits the audit reports for substance, correctness, and style. The substance portion of the review determines that the report is clear, concise, and conceptually sound and adheres to relevant standards for content and form; the correctness portion of the review ensures the use of proper grammar and consistent terminology; and the style portion of the review focuses on OAG preferences for language and composition.

In addition to the editing function, Audit Report Review staff provide assistance to audit staff regarding report processing, report format and style, and grammar. Also, Audit Report Review staff maintain the OAG Style Manual, which is designed as a practical guide to assist audit staff in writing audit reports.

Research and Professional Standards

Research and Professional Standards provides timely professional and technical assistance on accounting and auditing issues to management and staff, facilitates the development of officewide policies and procedures relating to professional standards and practices, and maintains a professional reference library. We continue to implement new computer-assisted research programs, as they become available, to more efficiently provide assistance to staff. To ensure compliance with applicable professional standards and to increase the effectiveness and efficiency of our audit activities, we processed 13 updates to the OAG Auditor's Manual over the prior two fiscal years.

Research and Professional Standards develops responses to technical discussion memorandums, exposure drafts, and issue papers of various national professional organizations, such as the Governmental Accounting Standards Board, U.S. Government Accountability Office, American Institute of Certified Public Accountants, National State Auditors Association, Federal Accounting Standards Advisory Board, and Government Finance Officers Association. Also, we contribute to the profession by making presentations at conferences and seminars of professional organizations and by participating on their standing committees.

Edits the audit reports for substance, correctness, and style

Provides timely assistance on accounting and auditing issues

Office of Information Technology

The Office of Information Technology is responsible for managing our local area network, maintaining our management information system, and providing computer support and software assistance to our staff. Its staff of 12 highly trained professionals help ensure that the OAG continues its standing as a leader in the use of information technology for audit.

Local Area Network and Computer Support Section

This Section maintains the OAG local area network and management information system and provides end-user computing (EUC) support to our audit staff. Our local area network, through its connection to the State of Michigan's Wide Area Network, permits both our central office staff and staff at on-site audit locations to share automated information and to communicate vital information electronically. The network provides users with electronic working paper, word processing, spreadsheet, e-mail, Internet browser, automated information analysis, and database software capability. It also provides users with access to our management information system, which contains audit report tracking, personnel, and project management information. EUC support is provided in the form of hardware and software problem solving, hardware maintenance, and software training. The Section also ensures that each auditor has a computer and the necessary software to assist in the performance of an audit.

The OAG network provides users with electronic working paper, word processing, spreadsheet, e-mail, Internet browser, automated information analysis, and database software capability

In fiscal year 2003-04, we upgraded our computer operating systems, electronic workpaper software, word processing and spreadsheet software, and network software. This ensures compatibility with agency-created automated information provided for audit and provides us with new software features to promote an efficient work environment. We also have fully tested and implemented network software that permits us to automatically upgrade the software on all OAG notebook and desktop computers via our network. This eliminates the need to individually install software upgrades. We are also in the process of expanding our use of this software to permit our Help Desk staff to resolve software questions and computer problems on site. This eliminates the need to transport computers to resolve software problems.

We upgraded our computers to provide our audit staff with the processing power to support our expanded use of electronic working papers, automated information analysis, e-mail, and the Internet.

Our Internet web site includes complete audit reports, a search function, and a "list-serve" function. Visitors to our Web site have the ability to search for specific audit reports

and then download the audit reports. Visitors can also sign-up on our "list-serve" to automatically receive a copy of the report summary of all newly released audit reports via e-mail.

We continued to expand the content of our Intranet by adding Web enabled application for employee and audit information.

Our goals for next fiscal year include expanding the use of our Internet web site and our Intranet to quickly provide information, providing electronic monitoring and notification of audit status, and continuing our aggressive training plan to obtain the knowledge base that is necessary to better serve the information technology needs of the OAG.

Software Assistance Section

This Section analyzes automated information stored in any electronic format to assist OAG staff during audit fieldwork. We have the ability to extract and analyze any automated information for audit purposes. This analysis includes both mainframe and microcomputer programming to manipulate and analyze automated financial and nonfinancial records (e.g., licensing, college student enrollment, and public assistance).

In fiscal year 2003-04, we continued our emphasis to develop standard server-based applications in order to analyze automated information for audit purposes. This continues to reduce turnaround time for automated information analysis requests, and it has helped to establish standardized audit processes. Effectiveness and efficiencies also have resulted from our cross-trained and permanently assigned software assistance staff.

We continued to provide computer hardware and software training to OAG staff, as well as providing software assistance to all audits. Our analysis of automated information has identified weaknesses in agency automated systems and internal control. It has also provided documented support for audit findings contained in our audit reports.

Our goals for next year are to continue to develop standardized automated extraction and analysis procedures to access agency automated information; provide training to the Bureau of Audit Operations staff to more effectively use the automated information analysis and extract software; and continue an aggressive training plan to ensure that Software Assistance Section staff obtain the knowledge base to better serve the automated information analysis needs of the OAG.

The OAG has the ability to extract and analyze any automated information for audit purposes

Office of Administration

The Office of Administration provides human resource management; accounting and budgeting; Michigan Administrative Information Network (MAIN), Data Collection and Distribution System (DCDS), and Human Resources Management Network (HRMN) administration; computer-assisted graphics support services; audit report production; and officewide printing, purchasing, and clerical support.

Human Resources

The delivery of human resource services is of prime importance to our organization. We strive to develop and implement innovative and effective strategies to enhance recruiting, staff development, and personnel management. The early retirement bill enacted in 2002 had a significant impact on our organization with 22 employees retiring. This represented approximately 15% of our audit staff and in excess of 30% of our experience base. It also included key executive staff, audit division administrators, audit managers, and several high-level audit supervisors. It will be an ongoing challenge to replace these individuals and continue to provide quality services.

... strive to develop and implement innovative and effective strategies to enhance recruiting, staff development, and personnel management

Recruiting

Because of budget constraints, we had limited campus recruiting activities. During the past two years, we successfully recruited and hired 5 student assistants for limited term appointments and 4 full-time auditors

Staff Development

We place great importance on developing and retaining staff. All staff members are encouraged and provided the opportunity to develop their professional skills. In addition, the Comptroller General of the United States, the American Institute of Certified Public Accountants, and the State Board of Accountancy require members of the profession to annually obtain continuing professional education. For example, *Government Auditing Standards* require that auditors complete at least 80 hours of continuing education every two years. In fiscal years 2002-03 and 2003-04, the OAG provided approximately 9,030 and 8,056 hours, respectively, of continuing education. Training focused on writing effective audit findings; improving Single Audit and performance auditing skills; evaluating audit risk; transaction testing using the State of Michigan's accounting

Professional standards require 80 hours of continuing education every two years

system; and an overview of the State of Michigan legislative process and the effects of term limits. We provided technical training that covered numerous topics, including overviews of the State's payroll system and the human resources processing system. We also provided discriminatory harassment and workplace safety training to all staff, increasing their understanding of what constitutes discriminatory harassment and how it applies to the workplace, as well as how to protect oneself at and around the job site.

As part of staff development, we actively support auditors seeking professional certification and advanced degrees through our administrative leave policy and our tuition reimbursement program. Of our 129 professional audit staff employed at September 30, 2004, 72 had obtained certification from one or more of the various professional certification programs. The OAG professional audit staff included 71 certified public accountants, 5 certified internal auditors, and 8 certified information systems auditors. We also had 5 staff members who had earned master's degrees, 1 staff member who had a Juris Doctor degree, and 4 staff members who had complete associate's degrees in data processing, in addition to their bachelor's degrees.

During fiscal years 2002-03 and 2003-04, the following OAG staff members became certified public accountants:

Patricia A. Chooi
Lora J. Mikula
Tamara W. Torongo
Julie L. Trierweiler

Many OAG auditors are active in professional organizations including: the American Institute of Certified Public Accountants; the Michigan Association of Certified Public Accountants; the Government Finance Officers Association; the Association of Government Accountants; the National Association of State Auditors, Comptrollers, and Treasurers; the National State Auditors Association; the Institute of Internal Auditors; the Midwestern Intergovernmental Audit Forum; the State Association of Accountants, Auditors, and Business Administrators; the National Legislative Program Evaluation Society; and the Information Systems Audit and Control Association. Staff members often participate as officers, board members, and committee members of local, State, and national accounting and auditing organizations.

<i>Certified Public Accountants</i>	<i>71</i>
<i>Certified Internal Auditors</i>	<i>5</i>
<i>Certified Information</i>	
<i>Systems Auditors</i>	<i>8</i>
<i>Master's Degrees</i>	<i>5</i>
<i>Associate's Degrees</i>	
<i>in Data Processing</i>	<i>4</i>

In October 2003, we hosted the National Legislative Program Evaluation Society (NLPES) Fall Training Conference in East Lansing, Michigan. Over 200 individuals from 28 states participated in this training event.

Accounting and Budgeting

We faced several challenges during fiscal year 2003-04 resulting mainly from reduced State revenues. Like other State departments and agencies, our appropriation was reduced, which led to a number of uncertainties as we planned our spending for the year. Fortunately, these reductions came early in the year, which gave us more time to address the issues.

All of our staff worked together to meet this budget challenge. One of the major contributors to our success was the fact that a number of employees voluntarily reduced the hours they worked and were paid. We also reduced costs through participation in the State's Banked Leave Time program.

We expect to meet the closing deadlines established for the OAG and have our books closed by mid-November.

Project and Security Management Section

This Section provides ongoing agency oversight of and security administration for MAIN, DCDS, HRMN, the Management Information Database (MIDB), and the MAIN Access Panel (MAP).

The Section also coordinates compilation and production of our Annual Report and other reports and documents. It uses a variety of electronic publishing hardware and software to create, revise, and enhance our Annual Report, audit reports, office forms, and stationery. Electronic publishing impacts most aspects of OAG operations, enhances the readability of the OAG's published materials, and eliminates the need for external contracting.

Office Services

Office Services is responsible for providing numerous services to all OAG staff. These services include:

- Printing and publishing of OAG audit reports, the Annual Report, the recruiting brochure, and numerous other documents.
- Assisting in the design and preparation of training and conference materials.

-
- Ordering, receiving, and stocking of office supplies and equipment.
 - Arranging for the surplus and salvage of OAG materials, equipment, and furniture.
 - Recycling activities.

Several years ago, we completed an evaluation of the printing and copying equipment in Office Services. We have now substantially reached our goal of publishing reports with an on-line network process. In addition, with our recent acquisition of a color copier and additional development of software, our print-on-demand service has become even more efficient.

We continue to assess the items we carry in our closed stockroom and, after evaluating the need for these items, we relocate commonly used supplies to the open stockroom to allow for greater accessibility for all staff. We also continue to evaluate our ordering and stocking processes to reduce redundancy and improve the entire process.

Clerical Support

Clerical Support's major function is to type and format submitted audit reports for processing and issuance. It is also responsible for distributing audit reports, manuals, and letters; operating the telephone switchboard and reception desk; and maintaining various internal records.

Clerical Support employees are cross-trained and, because of the local area network, can perform their duties at any of several office work stations. Employee cross-training and full utilization of the network have enabled us to minimize our staffing needs.

Payroll/Management Information System (MIS) Input Unit

The Unit's major function is to process payroll transactions for OAG employees. It enters employee time sheets, processes biweekly time and attendance reports, and enters time and attendance into DCDS.

The OAG requires that all staff hours be properly accounted for. To assist in this effort, the Unit enters budget hours and direct hours for all OAG activities. It is also responsible for preparing audit report related information for inclusion on our Internet web site.

Cross-training and automation have enabled the OAG to minimize staffing needs

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 ***<http://audgen.michigan.gov>*** 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 2003-04**

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

<u>Project Number</u>	<u>Report Name</u>	<u>Project Type</u>	<u>Recommendations</u>	
			<u>New</u>	<u>Repeated</u>
AGRICULTURE, DEPARTMENT OF				
79-300-04	Upper Peninsula State Fair <i>The Fair's mission is to promote the educational, cultural, recreational, and entertainment interests of the area while stimulating interest in agriculture and providing and promoting a quality facility that enhances the economic interests of the Upper Peninsula.</i>	Performance	2	0
CAREER DEVELOPMENT, MICHIGAN DEPARTMENT OF				
45-185-02	Office of Career and Technical Preparation <i>The Office is responsible for administration of the federal Carl D. Perkins Vocational and Technical Education Act of 1998 and Section 61 of the State School Aid Act.</i>	Performance	3	2
CIVIL SERVICE, DEPARTMENT OF				
19-595-02	Human Resources Management Network (HRMN) <i>HRMN is the State's automated human resource, benefit, and payroll system. HRMN provides for all human resource processes from recruitment to the termination of employees. In addition, HRMN calculates and processes the State's payroll.</i>	Performance	14	0
19-596-03	Human Resources Management Network (HRMN) Self-Service <i>HRMN Self-Service is the Web-based automated system used by State employees and human resource managers to view and maintain personnel information related to employee benefits, leave balances, pay warrant information and withholdings, and life events. HRMN Self-Service also enables human resource managers to track and maintain human resource reports.</i>	Performance	7	0

AUDIT AND LETTER REPORTS COMPLETED
DURING FISCAL YEAR 2003-04

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
COMMUNITY HEALTH, DEPARTMENT OF				
39-100-04	Department of Community Health - R	Single	15	0
63-430-03	Bureau of Health Services <i>The Bureau is responsible for licensing health care professionals; investigating allegations it receives against them; and, when appropriate, taking action to discipline professionals determined to have violated the Public Health Code.</i>	Performance	8	0
CONSUMER AND INDUSTRY SERVICES, DEPARTMENT OF				
63-100-04	Department of Consumer and Industry Services - R	Single	2	0
63-451-99F	Follow-Up Review of the Regulation of Nursing Homes, Adult Foster Care Homes, and Homes for the Aged <i>The Department is responsible for the licensing and regulation of nursing homes, adult foster care homes, and homes for the aged.</i>	Performance	N/A	N/A
CORRECTIONS, DEPARTMENT OF				
47-100-04	Department of Corrections - R	Single	11	0
47-121-03L	Follow-Up Review of the Intake to Parole Process <i>The overall mission of the Department's parole consideration process is to provide the Parole Board with accurate, reliable, and timely information about a prisoner so that the Parole Board can make an informed decision to grant or deny a parole.</i>	Performance	N/A	N/A
47-253-03	Mound Correctional Facility <i>The Facility, located in Wayne County, is a medium security (level II) and a close security (level IV) facility for males, with a capacity of 1,051 prisoners.</i>	Performance	22	0
EDUCATION, DEPARTMENT OF				
31-100-04	Department of Education - R	Single	16	0
31-140-02	Office of Professional Preparation Services <i>The Office is responsible for ensuring that a person employed in an elementary or secondary school with instructional responsibilities has a</i>	Performance	14	2

AUDIT AND LETTER REPORTS COMPLETED
DURING FISCAL YEAR 2003-04

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
	<i>valid credential for the position held. The Office is also responsible for ensuring that professional school personnel complete quality teacher preparation and professional development.</i>			
31-212-02	Office of School Support Services <i>The Office's mission is to advocate and provide programs and services that promote the health and safety of Michigan citizens. At the time of our audit, the Office consisted of four primary organizational units: Budget, Personnel, and Technical Support; Fiscal Reporting; Food and Nutrition; and Transportation and Driver Safety. Our audit focused on the Food and Nutrition, Pupil Transportation, and Driver Education Programs and the Motorcycle Safety Fund.</i>	Performance	5	0
ENVIRONMENTAL QUALITY, DEPARTMENT OF				
76-100-04	Department of Environmental Quality - R	Single	1	0
76-143-03	Fee Adequacy and Delegated Authority Within the Air Quality Division <i>Title V of the Clean Air Act Amendments of 1990 set up a comprehensive permitting system, the Renewable Operating Permit (ROP) Program, that all states are required to implement. The Clean Air Act requires the ROP Program to collect, in the aggregate, an amount not less than \$25 per ton (adjusted for inflation) of each regulated pollutant or such other amount determined to adequately reflect the reasonable costs of the Program.</i>	Performance	0	0
76-144-02	Surface Water Program, Water Division <i>At the time of our audit, the Division utilized 15 programs to monitor water bodies, develop and enforce water quality standards, issue permits and ensure that permit requirements are adhered to, regulate discharges, monitor land applications of waste, and initiate and pursue enforcement actions against violators.</i>	Performance	12	0
FAMILY INDEPENDENCE AGENCY				
43-100-03	Family Independence Agency - R	Single	25	11
43-701-01	Statewide Child Support Program <i>The Program was developed to improve self-sufficiency of families by requiring noncustodial parents to fulfill their continuing obligation to support their children and to collect child support to offset State and federal public assistance program costs.</i>	Performance	13	5

AUDIT AND LETTER REPORTS COMPLETED
DURING FISCAL YEAR 2003-04

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
HISTORY, ARTS AND LIBRARIES, DEPARTMENT OF				
25-230-03	Michigan Council for Arts and Cultural Affairs <i>The Council serves to encourage, develop, and facilitate an enriched environment of artistic, creative, and cultural activity in Michigan.</i>	Performance	1	0
JUDICIAL				
05-605-01	Selected Probate Court Conservatorship Cases <i>The Michigan Supreme Court establishes rules for practice and procedure in all courts through the State Court Administrative Office. A conservatorship is petitioned for on behalf of an individual who is unable to manage his or her property and financial affairs effectively because of certain reasons.</i>	Performance	11	0
LABOR AND ECONOMIC GROWTH, DEPARTMENT OF				
63-420-03	Homeowner Construction Lien Recovery Fund <i>The Fund was established in January 1982 to protect homeowners from lien claims for residential construction and remodeling. It also protects persons providing labor, materials, or equipment for real property improvement. The Fund is self-supporting from fees charged to licensed residential builders, various contractors, and other lien claimants.</i>	Performance and Financial	0	0
63-500-04	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	5	0
LEGISLATURE				
03-140-03	Michigan Legislative Retirement System <i>The System was established by the State of Michigan for the purpose of providing retirement, survivor, and disability benefits to eligible legislators in the legislative branch of State government.</i>	Financial	0	0

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Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
MANAGEMENT AND BUDGET, DEPARTMENT OF				
07-030-03	*Review of Constitutional Revenue Cap (Fiscal Year 2002-03) - R	Financial	N/A	N/A
07-031-04	*Review of Section 30 Expenditure Limitation Report (Fiscal Year 2002-03) - R	Financial	N/A	N/A
07-176-03	Office of Children's Ombudsman <i>The Office, an autonomous State agency, helps assure the safety and well-being of Michigan's children in need of foster care, adoption, and protective services through independent investigations of complaints and child advocacy.</i>	Performance	2	0
07-401-04	Michigan Strategic Fund - R <i>The Fund was created to help diversify the economy of the State and to provide for economic development, primarily by assisting business enterprises in obtaining additional sources of financing.</i>	Single	0	0
07-403-04	Michigan Economic Development Corporation - R <i>The entity's mission is 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	0
07-560-02	Management Information Database <i>The Management Information Database (MIDB) is a data warehouse consisting of data from the State of Michigan's accounting, purchasing, and human resources systems. MIDB provides ad hoc queries and reports and removes traffic from the transaction databases on the mainframes.</i>	Performance	3	0
07-629-04	Use of Transportation-Related Funding - R <i>Funding was provided to the following State agencies: the Departments of State, Management and Budget, Treasury, State Police, Civil Service, Attorney General, Environmental Quality, and Transportation; the Michigan Economic Development Corporation; the Office of the Auditor General; and the Mackinac Island State Park Commission.</i>	Performance	2	1

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Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
MILITARY AND VETERANS AFFAIRS, DEPARTMENT OF				
51-100-04	Department of Military and Veterans Affairs - R	Single	3	0
51-300-03	Michigan Youth Challenge Program <i>The Program is a youth intervention program that provides military-based training, education, and supervised working experience through community service to produce program graduates with the values, skills, education, and self-discipline to succeed as adults.</i>	Performance	2	0
51-400-03	Michigan Veterans Tuition Grant Program and State Education Reimbursement Program <i>These Programs provide tuition assistance to children of eligible Michigan veterans and to members of the Michigan National Guard.</i>	Performance	5	0
NATURAL RESOURCES, DEPARTMENT OF				
75-100-04	Department of Natural Resources - R	Single	2	0
75-115-03	Parks and Recreation Bureau <i>The mission of the Bureau is to acquire, protect, and preserve the natural, historic, and cultural features of Michigan's unique resources and to provide public recreation and education opportunities. The Bureau is responsible for planning, developing, and managing State parks and operating public access sites and State harbors.</i>	Performance	1	0
75-216-03	Central Reservation System <i>Campers and boaters can make reservations up to six months in advance of their planned arrival date by either phoning the central call center or accessing the central Reservation System through the Department's Web site.</i>	Performance	3	0
75-217-03	Clean Michigan Initiative, Natural Resources Protection Programs <i>The Department is authorized by Section 324.19608 and Sections 324.71601 - 324.71607 of the Michigan Compiled Laws to administer the natural resources protection programs funded by the Clean Michigan Initiative (CMI) bond. These programs, the State Park Revitalization Program and the Local Recreation Grants Program, were each allocated \$50 million in CMI bond proceeds.</i>	Performance	0	0

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Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
STATE, DEPARTMENT OF				
23-220-01	Bureau of Regulatory Services <i>The mission of the Bureau is to continuously improve the quality of vehicle repair services and practices, vehicle sales practices, vehicle maintenance for safety, and consumer protection and to fulfill mandates of law.</i>	Performance	7	0
23-250-02	Driver Licensing and Vehicle Registration Processes, Bureau of Branch Office Services and Bureau of Driver and Vehicle Records <i>The Department's responsibilities include administering and enforcing sections of the Michigan Vehicle Code pertaining to the registration of vehicles and the licensure of vehicles and operators.</i>	Performance	6	1
23-270-03	Bureau of Driver Safety <i>The Bureau is responsible for assessing the driving skills of licensed drivers who have been identified as high risk or unsafe, conducting hearings for persons who have lost their driving privileges and are requesting to have them reinstated, and licensing and monitoring the private driver training schools and third-party testing entities that perform road tests of all persons seeking a driver license.</i>	Performance	0	0
23-590-03	Automated Information Systems, Department of State and Department of Information Technology <i>The Department of State has developed and operates large complex information systems to manage driver and vehicle information, vehicle-licensing records, vehicle violations, and fee collections. The Department collects nearly \$2 billion in revenue each year. This money is used for a variety of purposes as required by law. The Department of Information Technology is responsible for maintaining and supporting the information technology infrastructure for the Department of State.</i>	Performance	6	0
STATE POLICE, MICHIGAN DEPARTMENT OF				
55-100-04	Michigan Department of State Police - R	Single	6	4
55-142-03	Criminal Investigation Programs <i>The Programs are carried out through the Investigative Services Bureau, of which our audit focused on three divisions: Field Detective Division, Criminal Investigation Division, and Southeastern Criminal Investigation Division. These Divisions are responsible for providing investigative services, including specialized services, to local, county, State, and federal law enforcement agencies in each of Michigan's 83 counties.</i>	Performance	3	0

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Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
55-160-02	Forensic Science Division <i>The mission of the Division is to provide leadership, development, coordination, and delivery of "state of the art" forensic services to the criminal justice community.</i>	Performance	1	0
55-170-03	Office of Highway Safety Planning <i>The mission of the Office is to save lives and reduce injuries on Michigan roads through leadership, innovation, facilitation, and program support in partnership with other public and private organizations.</i>	Performance	3	1

TRANSPORTATION, MICHIGAN DEPARTMENT OF

59-100-03	Michigan Department of Transportation - R	Single	7	0
59-120-03	Office of Commission Audits <i>The Office is responsible for assisting the State Transportation Commission in formulating audit policies, performing operational audits of the Michigan Department of Transportation (MDOT) operations, performing financial and compliance audits of MDOT contractors, performing investigations, and reviewing MDOT internal control.</i>	Performance	0	0
59-590-99F	Follow-Up Review of the Automated Information Systems <i>Subsequent to our audit, Executive Order No. 2001-3 transferred the responsibility for all information technology services, including application development and information technology planning, to the Department of Information Technology (DIT). DIT is responsible for providing data processing services to MDOT. MDOT, as the business owner, retains responsibility for all agency business applications. In addition, MDOT retains ownership of all data processed through any systems developed in conjunction with DIT.</i>	Performance and Financial	N/A	N/A

TREASURY, DEPARTMENT OF

27-140-03	Tax Compliance Bureau <i>The Bureau consists of two divisions. The Audit Division is responsible for conducting field audits of business taxpayers. The Discovery and Tax Enforcement Division is responsible for conducting special projects to identify businesses and individuals with tax liabilities due the State and performing special reviews to detect fraud related to individual income tax returns.</i>	Performance	6	0
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Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
27-240-02	Single Business Tax Program Within the Return Processing and Customer Contact Divisions <i>The Return Processing Division administers the Single Business Tax (SBT) Act for consistent and uniform compliance by the persons subject to SBT. The Customer Contact Division provides resolution of customers' SBT inquiries and registers and licenses new businesses.</i>	Performance	9	2
27-256-03	Transition in the Office of State Treasurer - R <i>This audit was required when a new State Treasurer was appointed effective December 31, 2002.</i>	Financial	0	0
27-257-03	Transition in the Office of State Treasurer - R <i>This audit was required when a new State Treasurer was appointed effective January 5, 2003.</i>	Financial	0	0
27-265-02	Commercial Mobile Radio Service Emergency Telephone Fund <i>The Fund was created to implement the Federal Communications Commission's wireless emergency service order to provide enhanced 911 service. Enhanced 911 service provides for the identification of the location and telephone number of a mobile telephone caller.</i>	Financial	0	0
27-283-03	Michigan Education Trust Plan D (A Component Unit of the State of Michigan) <i>The Trust was created to operate a prepaid college tuition program that will provide a Michigan child's undergraduate tuition at any Michigan public university or community college.</i>	Financial	0	0
27-284-03	Michigan Education Trust Plans B and C (A Component Unit of the State of Michigan)	Financial	0	0
27-285-04	Michigan Broadband Development Authority (A Component Unit of the State of Michigan) <i>The Authority was created by Act 49, P.A. 2002, to assist in the development and utilization of high-speed broadband Internet services and infrastructure across Michigan.</i>	Financial	0	0
27-290-02	Bureau of Local Government Services <i>The Bureau provides various services to local units of government, including assisting the State Tax Commission in supervising the administration of State property tax laws; administering the State's delinquent property tax reversion process; auditing and overseeing the accounting and audits of local government; monitoring and approving local unit deficit elimination plans; and reviewing applications for the issuance of debt.</i>	Performance	28	6

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Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
27-900-02	Michigan Gaming Control Board <i>The Board was created as an autonomous entity within the Department by Act 69, P.A. 1997, the Michigan Gaming Control and Revenue Act, which substantially amended Proposal E, a voter initiative approved in November 1996.</i>	Performance	7	0
UNIVERSITIES				
33-230-02	Wayne State University <i>The University is a national research university with an urban teaching and service mission. It offers its various programs through its 13 colleges and schools and numerous centers and institutes.</i>	Performance	16	0
33-300-03	Selected State Universities' Reporting of Enrollment and Other Higher Education Institutional Data Inventory (HEIDI) Data - R <i>The 15 State universities are required to report certain enrollment and other HEIDI data to the Legislature on a fiscal year basis.</i>	Performance	4	1
33-300-04	*Selected State Universities' Reporting of Enrollment and Other Higher Education Institutional Data Inventory (HEIDI) Data - R	N/A	N/A	N/A
33-265-04L	Response to Request for Information, State Universities' and Community Colleges' Submission of Use and Finance Statements, Prepared for the Joint Capital Outlay Subcommittee	N/A	N/A	N/A
33-608-04L	University House Project, Eastern Michigan University <i>In June 2001, the University Board of Regents approved the construction of the University House as a \$3.5 million project. The University intended for the 10,000-square-foot multipurpose facility to showcase the University's research and scholarship activities, to host fund-raising events, and to house visiting scholars and dignitaries, as well as to serve as the official residence of the University President.</i>	Performance	4	0
			<u>323</u>	<u>36</u>