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2013 ANNUAL REPORT

MICHIGAN OFFICE OF THE  
AUDITOR GENERAL

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

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

*- Article IV, Section 53 of the  
Michigan Constitution*



STATE OF MICHIGAN  
OFFICE OF THE AUDITOR GENERAL  
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LANSING, MICHIGAN 48913  
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THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

September 30, 2013

The Honorable Rick Snyder, Governor of Michigan  
The Honorable Randy Richardville, Senate Majority Leader  
The Honorable Jase Bolger, Speaker of the House  
The Honorable Gretchen E. Whitmer, Senate Minority Leader  
The Honorable Tim Greimel, House Minority Leader  
and  
Members of the 97th 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, 2013 and is submitted in accordance with Article IV, Section 53 of the Michigan Constitution.

Our annual reports for fiscal years ending with odd numbers are submitted in an abbreviated format as letter reports, which is the format for this report. Annual reports for fiscal years ending with even numbers are submitted in our traditional format and contain information about our office and the audit reports completed during the fiscal year. Copies of this letter report and of our annual report for the fiscal year ended September 30, 2012 can be found on our Internet web site. Our web site also includes copies of our audit reports.

The Office of the Auditor General has the responsibility, as stated in Article IV, Section 53 of the Michigan 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.

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 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".

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

## **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.)

**MICHIGAN OFFICE OF THE AUDITOR GENERAL**

Audit and Letter Reports Completed

During Fiscal Year 2012-13

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

Project Number	Report Title	Project Type	Recommendations	
			New	Repeat and Rewritten
791-0127-12	<b>AGRICULTURE AND RURAL DEVELOPMENT, MICHIGAN DEPARTMENT OF</b>  Weights and Measures Program	Performance	3	1
791-0200-12	Food and Dairy Division  The audit concluded that the Michigan Department of Agriculture and Rural Development's (MDARD's) efforts to monitor the accuracy of weighing and measuring devices used for commerce and the accuracy of the stated weight, measure, or count of products for sale in Michigan were moderately effective. It noted four reportable conditions. The audit also concluded that MDARD's efforts to timely investigate and resolve complaints regarding weights, measures, price advertising, price scanner errors, and packaging were effective.	Performance	9	0

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Audit and Letter Reports Completed

During Fiscal Year 2012-13

Project Number	Report Title	Project Type	Recommendations	
			New	Repeat and Rewritten
391-0116-12	COMMUNITY HEALTH, DEPARTMENT OF Medicaid Pharmacy Services, Medical Services Administration	Performance	2	3
	The audit concluded that the Department of Community Health's (DCH's) efforts to identify and recover payments for pharmaceutical drugs covered by Medicare were moderately effective. It noted one reportable condition. The audit also concluded that DCH's efforts to prevent Medicaid payments for pharmaceutical drugs prescribed by sanctioned or deceased service providers were moderately effective. It noted two reportable conditions. In addition, the audit concluded that DCH's efforts to monitor the accuracy of drug manufacturer rebates calculated by its contracted pharmacy benefits manager were moderately effective. It noted one reportable condition.			
391-0300-12	Caro Center, Bureau of State Hospitals and Behavioral Health Administrative Operations	Performance	2	9
	The audit concluded that the Caro Center's use of selected resources was moderately efficient. It noted two reportable conditions. The audit also concluded that the Center's efforts to safeguard selected State and patient assets were moderately effective. It noted five reportable conditions. In addition, the audit concluded that the Center's efforts to evaluate the services it provided to patients were effective. Further, the audit concluded that the Center's efforts to investigate and resolve complaints were moderately effective. It noted two reportable conditions.			
391-0705-06F	Health Insurance Liability Section	Performance	0	5
	The follow-up of the 6 material conditions and 11 corresponding recommendations reported in the performance audit of the Health Insurance Cost Avoidance and Recovery Section (HICARS) [renamed the Health Insurance Liability Section (HILS)], Medical Services Administration, Department of Community Health (DCH), 391-0705-06, disclosed that DCH had complied with 6 recommendations and had partially complied with 3 recommendations and that 2 recommendations were no longer applicable. The follow-up concluded that a material condition still exists for 1 recommendation and reportable conditions exist for			

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Project Number	Report Title	Project Type	Recommendations	
			New	Repeat and Rewritten
	4 recommendations. As a result, the follow-up issued 5 rewritten recommendations.			
391-0717-12	Durable Medical Equipment, Prosthetics, Orthotics, and Supplies	Performance	8	0
	The audit concluded that the Department of Community Health's (DCH's) efforts to ensure proper payment as defined by selected DCH policies for durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) were moderately effective. It noted five reportable conditions. The audit also concluded that DCH's process to establish rates consistent with applicable federal regulations, the Michigan Medicaid State Plan, and its policies for DMEPOS was moderately effective. It noted three reportable conditions.			
<b>CORRECTIONS, DEPARTMENT OF</b>				
471-0206-13	Alger Correctional Facility	Performance	3	0
	The audit concluded that the Department of Corrections' efforts to comply with selected policies and procedures related to safety and security at the Alger Correctional Facility were effective. However, it noted three reportable conditions.			
471-0216-13	Macomb Correctional Facility	Performance	4	1
	The audit concluded that the Department of Corrections' efforts to comply with selected policies and procedures related to safety and security at the Macomb Correctional Facility were moderately effective. It noted five reportable conditions.			
471-0320-12	Mental Health Services	Performance	5	2
	The audit concluded that the Department of Corrections' (DOC's) efforts to timely assess prisoners' need for mental health services were moderately effective. It noted two reportable conditions. The audit also concluded that DOC's efforts to provide mental health services in accordance with prisoners' individual treatment plans were moderately effective. It noted three reportable			

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Project Number	Report Title	Project Type	Recommendations	
			New	Repeat and Rewritten
	conditions. In addition, the audit concluded that DOC's efforts to evaluate the outcomes of its mental health services program were effective. However, it noted one reportable condition. Further, the audit concluded that DOC's efforts to ensure that its mental health services providers complied with contract requirements were effective. It also concluded that DOC's efforts to evaluate the efficiency of its mental health services program were effective.			
471-0375-11	Facility Closures and Consolidations	Performance	1	0
	The audit could not conclude on the effectiveness of the Department of Corrections' (DOC's) efforts in developing recommendations for facility closures and consolidations because of a lack of DOC documentation. It noted one reportable condition. The audit did conclude that DOC's efforts to measure and report actual cost savings from closing and consolidating facilities pursuant to statute were effective.			
<b>EDUCATION, MICHIGAN DEPARTMENT OF</b>				
313-0203-06F	School Report Card Program	Performance	0	2
	The follow-up of the 5 material conditions and 7 corresponding recommendations reported in the performance audit of the School Report Card Program, Michigan Department of Education (MDE), 313-0203-06, disclosed that MDE had complied with 5 recommendations and had partially complied with 2 recommendations. The follow-up concluded that reportable conditions exist related to 2 findings. As a result, the follow-up issued 2 repeat recommendations.			
<b>ENVIRONMENTAL QUALITY, DEPARTMENT OF</b>				
761-0115-13	Refined Petroleum Fund Expenditures	Performance	3	0
	The audit concluded that the Department of Environmental Quality, the Michigan Department of Agriculture and Rural Development, and the Department of Treasury partially complied with laws and regulations			

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**Audit and Letter Reports Completed  
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Project Number	Report Title	Project Type	Recommendations	
			New	Repeat and Rewritten
	for expenditures from the Refined Petroleum Fund. It noted three reportable conditions and one observation.			
761-0217-12	Clean Michigan Initiative Environmental Protection Programs - R  The audit concluded that the Department of Environmental Quality's (DEQ's) efforts to ensure that the use of Clean Michigan Initiative (CMI) funds complies with laws, regulations, and contract requirements were effective. The audit also concluded that DEQ's efforts to ensure that recipients of CMI funds comply with project outcome requirements were effective. In addition, the audit concluded that DEQ's efforts to accurately report and comply with CMI program reporting requirements were moderately effective. It noted one reportable condition.	Performance	1	0
761-0300-13	Office of Oil, Gas, and Minerals  The audit concluded that the Office of Oil, Gas, and Minerals' (OOGM's) efforts to monitor oil and gas wells to protect resource values, the environment, and the public's health and safety were effective. However, it noted one reportable condition. The audit also concluded that OOGM's efforts to promote compliance with selected oil and gas well regulations were moderately effective. It noted five reportable conditions. In addition, the audit concluded that OOGM's efforts to track production volumes that are used to calculate severance tax and privilege fee amounts collected from producing oil and gas wells were moderately effective. It noted one reportable condition.	Performance	9	0
<b>HUMAN SERVICES, DEPARTMENT OF</b>				
431-0142-12	Michigan State Disbursement Unit, Office of Child Support - R  The audit concluded that the Michigan State Disbursement Unit's (MiSDU's) efforts in monitoring its service provider's collection and disbursement of child support remittances were effective. The audit also concluded that the Office of Child Support's efforts in monitoring the accuracy and completeness of the bank accounts used for child support activities were effective.	Performance	0	0

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<u>Project Number</u>	<u>Report Title</u>	<u>Project Type</u>	<u>Recommendations</u>	<u>Repeat and Rewritten</u>
	In addition, the audit concluded that MiSDU's efforts to optimize electronic remittances of child support withheld by employers for noncustodial parents were effective.			
431-0299-05F	Suitability of Child Development and Care Program Providers  The follow-up of the 9 material conditions and 13 corresponding recommendations reported in the performance audit of the Suitability of Child Development and Care Program Providers, Department of Human Services (DHS), 431-0299-05, disclosed that DHS and the Michigan Department of Education (MDE) had complied with 5 recommendations, had partially complied with 7 recommendations, and had not complied with 1 recommendation. The follow-up concluded that material conditions still exist for 6 recommendations and reportable conditions exist for 2 recommendations. As a result, the follow-up issued 1 repeat recommendation and 7 rewritten recommendations.	Performance	0	8
431-0591-12	Interface and Change Controls of the Bridges Integrated Automated Eligibility Determination System (Bridges)  The audit concluded that the Department of Human Services (DHS) and the Department of Technology, Management, and Budget's (DTMB's) efforts to implement controls to ensure the accuracy, completeness, and timeliness of Bridges interfaces were not effective. It noted one material condition and four reportable conditions. The audit also concluded that DHS and DTMB's efforts to implement change controls over the Bridges application and data were moderately effective. It noted two material conditions and two reportable conditions.	Performance	11	0
641-0161-13*	LICENSING AND REGULATORY AFFAIRS, DEPARTMENT OF  Liquor Purchase Revolving Fund, Michigan Liquor Control Commission  The audit included an unqualified opinion on the Liquor Purchase Revolving Fund financial statements. It did not report any findings related to internal control over financial	Financial	0	0

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Audit and Letter Reports Completed

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Project Number	Report Title	Project Type	Recommendations	
			New	Repeat and Rewritten
	reporting. It also did not identify any instances of noncompliance or other matters applicable to the financial statements that are required to be reported under <i>Government Auditing Standards</i> .			
641-0230-11	Business Enterprise Program, Bureau of Services for Blind Persons	Performance	5	1
	The audit concluded that the Michigan Commission for the Blind's (MCB's) efforts to ensure that Business Enterprise Program (BEP) operators' monthly vending facility reports (VFRs) are accurate and properly supported were not effective. It noted one material condition. The audit also concluded that MCB's efforts to monitor and assist BEP operators in running profitable and well-managed vending facilities were not effective. It noted two material conditions. In addition, the audit concluded that MCB's efforts to ensure that BEP expended set-aside fees collected from BEP operators in accordance with the <i>Michigan Administrative Code</i> were not effective. It noted one material condition. Further, the audit concluded that MCB's efforts to ensure that BEP's equipment inventory is properly accounted for and safeguarded were not effective. It noted two material conditions.			
641-0431-12	Bureau of Commercial Services	Performance	2	2
	The audit concluded that the Bureau of Commercial Services' (BCS's) efforts to perform statutorily required inspections for barber colleges, schools of cosmetology, ski lifts, and carnival-amusement rides were effective. It noted one material condition. The audit also concluded that BCS's efforts to respond to complaints filed against licensees regarding statutory notification and reporting requirements were effective. It noted two reportable conditions. In addition, the audit concluded that BCS's efforts to ensure that selected licenses are issued in compliance with the <i>Michigan Compiled Laws</i> and the <i>Michigan Administrative Code</i> were effective. Further, the audit concluded that BCS's efforts to safeguard cash receipts were effective. It noted one reportable condition. The audit also concluded that BCS's efforts to account for fees assessed by the Corporation Division were effective. In addition, the audit concluded that BCS's efforts to monitor licensees' compliance with final orders issued as a result of complaint investigations were effective. It noted one observation.			

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			New	Repeat and Rewritten
511-0170-12L	<b>MILITARY AND VETERANS AFFAIRS, DEPARTMENT OF Grand Rapids Home for Veterans</b>  The audit concluded that the Grand Rapids Home for Veterans' efforts to deliver selected member care services were moderately effective. It noted one material condition and one reportable condition. The audit also concluded that the Home's efforts to control and safeguard food, maintenance supplies, and medical supplies were not effective, whereas the Home's efforts to control and safeguard pharmaceutical inventories were moderately effective. It noted two material conditions. In addition, the audit concluded that the Home's efforts to account for donations to the Home for the benefit of its members were moderately effective. It noted two reportable conditions. Further, the audit concluded that the Home's efforts to administer member assessments were moderately effective, whereas the Home's efforts to account for member funds were effective. It noted three reportable conditions. The audit also concluded that the Home's efforts to address complaints were effective.	Performance	6	3
231-0251-12	<b>STATE, DEPARTMENT OF International Registration Plan Audit Section</b>  The audit concluded that the International Registration Plan (IRP) Audit Section was moderately effective in its efforts to monitor and enforce registrant compliance with the IRP program. It noted three reportable conditions. The audit also concluded that the IRP Audit Section's efforts to complete audits of IRP registrants were effective. However, it noted one reportable condition.	Performance	3	1
551-0170-12	<b>STATE POLICE, MICHIGAN DEPARTMENT OF Secondary Road Patrol and Traffic Accident Prevention Program, Office of Highway Safety Planning</b>  The audit concluded that the Office of Highway Safety Planning's efforts to distribute and monitor the use of funds from the Secondary Road Patrol and Traffic Accident Prevention Program were moderately effective. It noted three reportable conditions.	Performance	1	2

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Project Number	Report Title	Project Type	Recommendations	
			New	Repeat and Rewritten
000-0100-12	TECHNOLOGY, MANAGEMENT, AND BUDGET, DEPARTMENT OF  State of Michigan Single Audit Report - R	Single	53	0
	The audit did not report any findings related to the schedule of expenditures of federal awards. The audit covered 20 programs as major programs and reported known questioned costs of \$6.4 million. The transitional agencies expended a total of \$7.6 billion in federal awards during the fiscal year ended September 30, 2011. The audit included 10 unqualified opinions, 7 qualified opinions, and 3 adverse opinions on the State's compliance with major federal program requirements. It identified material weaknesses and significant deficiencies in internal control over federal program compliance. It also identified instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133.			
000-0100-13	State of Michigan Single Audit Report - R	Single	82	0
	The audit did not report any findings related to the schedule of expenditures of federal awards. The audit covered 37 programs as major programs and reported known questioned costs of \$12.3 million. The audit included 24 unqualified opinions, 9 qualified opinions, and 4 adverse opinions on the State's compliance with major federal program requirements. It identified material weaknesses and significant deficiencies in internal control over federal program compliance. It also identified instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133.			
071-0010-13	Report on Internal Control, Compliance, and Other Matters - State of Michigan Comprehensive Annual Financial Report, State Budget Office - R	Financial	3	2
	The audit included unqualified 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 of the State of Michigan. The audit did not identify any deficiencies in internal control over financial report that were considered			

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Project Number	Report Title	Project Type	Recommendations	
			New	Repeat and Rewritten
071-0151-13* and 071-0151-13M	<p>to be material weaknesses. However, it did identify significant deficiencies. The audit did not identify any instances of noncompliance or other matters applicable to the financial statements that are required to be reported under <i>Government Auditing Standards</i>.</p> <p>Michigan State Employees' Retirement System - R</p> <p>The audit included an unqualified opinion on the Michigan State Employees' Retirement System financial statements. In accordance with <i>Government Auditing Standards</i>, we also issued a report on our consideration of the Michigan State Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.</p> <p>The audit did not identify any deficiencies in internal control over financial reporting that were considered to be material weaknesses. However, it did identify significant deficiencies. The audit did not identify any instances of noncompliance or other matters applicable to the financial statements that are required to be reported under <i>Government Auditing Standards</i>. However, it did note an instance of other noncompliance.</p>	Financial	1	1
071-0152-13* and 071-0152-13M	<p>Michigan Public School Employees' Retirement System - R</p> <p>The audit included an unqualified opinion on the Michigan Public School Employees' Retirement System financial statements. In accordance with <i>Government Auditing Standards</i>, we also issued a report on our consideration of the Michigan Public School Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.</p> <p>The audit did not identify any deficiencies in internal control over financial reporting that were considered to be material weaknesses. However, it did identify a significant deficiency. The audit did not identify any instances of noncompliance or other matters applicable to the financial statements that are required to be reported under <i>Government Auditing Standards</i>.</p>	Financial	0	1

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Project Number	Report Title	Project Type	Recommendations	
			New	Repeat and Rewritten
071-0153-13* and 071-0153-13M*	Michigan Judges' Retirement System - R	Financial	0	0
	<p>The audit included an unqualified opinion on the Michigan Judges' Retirement System financial statements. In accordance with <i>Government Auditing Standards</i>, we also issued a report on our consideration of the Michigan Judges' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.</p> <p>The audit did not report any findings related to internal control over financial reporting. It also did not identify any instances of noncompliance or other matters applicable to the financial statements that are required to be reported under <i>Government Auditing Standards</i>.</p>			
071-0154-13* and 071-0154-13M*	Michigan State Police Retirement System - R	Financial	0	0
	<p>The audit included an unqualified opinion on the Michigan State Police Retirement System financial statements. In accordance with <i>Government Auditing Standards</i>, we also issued a report on our consideration of the Michigan State Police Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.</p> <p>The audit did not report any findings related to internal control over financial reporting. It also did not identify any instances of noncompliance or other matters applicable to the financial statements that are required to be reported under <i>Government Auditing Standards</i>.</p>			
071-0156-13	State of Michigan 401K Plan - R	Financial	2	0
	<p>The audit included an unqualified opinion on the State of Michigan 401K Plan's basic financial statements. The audit did not identify any deficiencies in internal control over financial reporting that were considered to be material weaknesses. However, it did identify significant deficiencies. The audit did not identify any instances of noncompliance or other matters applicable to the financial statements that are required to be reported under <i>Government Auditing Standards</i>.</p>			

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**Audit and Letter Reports Completed**

**During Fiscal Year 2012-13**

Project Number	Report Title	Project Type	Recommendations	
			New	Repeat and Rewritten
071-0157-13	State of Michigan 457 Plan - R	Financial	1	0
	The audit included an unqualified opinion on the State of Michigan 457 Plan's basic financial statements. The audit did not identify any deficiencies in internal control over financial reporting that were considered to be material weaknesses. However, it did identify a significant deficiency. The audit did not identify any instances of noncompliance or other matters applicable to the financial statements that are required to be reported under <i>Government Auditing Standards</i> . However, it did note an instance of other noncompliance.			
071-0176-12	Office of Children's Ombudsman	Performance	3	0
	The audit concluded that the Office of Children's Ombudsman's (OCO's) efforts to ensure timely and effective reviews and investigations of complaints concerning a child involved with children's protective services, foster care, adoption services, or the juvenile justice system were moderately effective. It noted one material condition and two reportable conditions. The audit also concluded that OCO's efforts to report accurate and complete information to the Department of Human Services, the Governor, and the Legislature were effective.			
071-0511-12	Centralized Information Technology Backup Service	Performance	3	0
	The audit concluded that the Department of Technology, Management, and Budget's (DTMB's) efforts to back up data and system files for the State's critical applications in accordance with agency specifications or DTMB's default backup standard were moderately effective. It noted one reportable condition. The audit also concluded that DTMB's efforts to verify the integrity of backup data and system files for the State's critical applications were effective. In addition, the audit concluded that DTMB's efforts to secure the State's centralized backup data and system files were moderately effective. It noted two reportable conditions.			
071-0592-13	Data Exchange Gateway	Performance	5	0
	The audit concluded that the Department of Technology, Management, and Budget's (DTMB's) efforts to help ensure that State agencies use the Data Exchange			

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Project Number	Report Title	Project Type	Recommendations	
			New	Repeat and Rewritten
	Gateway (DEG) or other secure methods for the electronic transfer of data were moderately effective. It noted one reportable condition. The audit also concluded that DTMB's efforts to implement a secure managed file transfer infrastructure were moderately effective. It noted one reportable condition. In addition, the audit concluded that DTMB's security and access controls over the DEG were moderately effective. It noted three reportable conditions.			
<b>TRANSPORTATION, MICHIGAN DEPARTMENT OF</b>				
591-0105-12	Use of Transportation-Related Funding - R	Performance	0	2
	The audit determined that the charges to transportation funds were generally appropriate for 3 of the 4 selected State agencies. However, it noted one reportable condition. The audit also determined that the selected State agencies complied with contractual and reporting requirements for transportation-related funding. In addition, the audit reported the charges to transportation funds, the cost allocation methodologies used in determining the level of funding, and the unreimbursed costs as supplemental information.			
591-0160-12	Maintenance Services Section	Performance	3	1
	The audit concluded that the Michigan Department of Transportation's (MDOT's) efforts to monitor its contractors' performance of maintenance were moderately effective. It noted two reportable conditions. It also concluded that MDOT's efforts to evaluate the cost-effectiveness of its maintenance activities were effective. In addition, the audit concluded that MDOT's efforts in processing accident damage claims were moderately effective. It noted one reportable condition.			
591-0174-12	Funding for Department Services Provided to Local Units of Government	Performance	1	1
	The audit concluded that the Michigan Department of Transportation's (MDOT's) efforts to allocate to the Michigan Transportation Fund (MTF) the MDOT expenditures incurred for services provided to local units			

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			New	Repeat and Rewritten
	of government were effective. However, it noted one reportable condition. The audit also concluded that MDOT's efforts to evaluate and monitor the appropriateness of MDOT expenditures allocated to the MTF for services provided to local units of government were effective. However, it noted one reportable condition.			
<b>TREASURY, DEPARTMENT OF</b>				
271-0140-12	Tax Compliance Bureau	Performance	3	0
	The audit concluded that the Tax Compliance Bureau's (TCB's) efforts were effective in selecting and conducting audits to address the risk of taxpayer noncompliance. However, it noted two reportable conditions. The audit also concluded that the Discovery and Tax Enforcement Division's efforts were effective in detecting and pursuing potential individual and business taxes owed to the State of Michigan. However, it noted one reportable condition.			
271-0265-13	Emergency 9-1-1 Fund, Michigan Department of State Police and Department of Treasury - R	Financial	0	0
	The audit included an unqualified opinion on the Emergency 9-1-1 Fund's financial schedules. It did not report any findings related to internal control over financial reporting. It also did not identify any instances of noncompliance or other matters applicable to the financial schedules that are required to be reported under <i>Government Auditing Standards</i> .			
271-0283-13	Michigan Education Trust Plan D (A Discretely Presented Component Unit of the State of Michigan) - R	Financial	1	0
	The audit included an unqualified opinion on the Michigan Education Trust (MET) Plan D financial statements. The audit did not identify any deficiencies in internal control over financial reporting that were considered to be material weaknesses. However, it did identify a significant deficiency. The audit did not identify any instances of noncompliance or other matters applicable to the financial statements that are required to be reported under <i>Government Auditing Standards</i> .			

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Project Number	Report Title	Project Type	Recommendations	
			New	Repeat and Rewritten
271-0284-13	Michigan Education Trust Plans B and C (A Discretely Presented Component Unit of the State of Michigan) - R	Financial	1	0
	The audit included an unqualified opinion on the Michigan Education Trust (MET) Plans B and C financial statements. The audit did not identify any deficiencies in internal control over financial reporting that were considered to be material weaknesses. However, it did identify a significant deficiency. The audit did not identify any instances of noncompliance or other matters applicable to the financial statements that are required to be reported under <i>Government Auditing Standards</i> .			
271-0340-13	Michigan Finance Authority (A Discretely Presented Component Unit of the State of Michigan) - R	Financial	0	0
	The audit included unqualified opinions on the Michigan Finance Authority's financial statements. It did not report any findings related to internal control over financial reporting. It also did not identify any instances of noncompliance or other matters applicable to the financial statements that are required to be reported under <i>Government Auditing Standards</i> .			
271-0401-13	Michigan Strategic Fund (A Discretely Presented Component Unit of the State of Michigan) - R	Financial	3	0
	The audit included unqualified opinions on the Michigan Strategic Fund's basic financial statements. The audit did not identify any deficiencies in internal control over financial reporting that were considered to be material weaknesses. However, it did identify significant deficiencies. The audit did not identify any instances of noncompliance or other matters applicable to the financial statements that are required to be reported under <i>Government Auditing Standards</i> .			
271-0406-13	Michigan Economic Development Corporation (A Discretely Presented Component Unit of the State of Michigan) - R	Financial	0	0
	The audit included an unqualified opinion on the Michigan Economic Development Corporation's basic financial statements. It did not report any findings related to internal control over financial reporting. It also did not identify any instances of noncompliance or other matters applicable to the financial statements that are required to be reported under <i>Government Auditing Standards</i> .			

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Project Number	Report Title	Project Type	Recommendations	
			New	Repeat and Rewritten
271-0410-13	21st Century Jobs Trust Fund Programs	Performance	0	3
	The audit concluded that the Michigan Strategic Fund's (MSF's) and the Strategic Economic Investment and Commercialization Board's processes for awarding grants, loans, and contracts for economic development through the 21st Century Jobs Trust Fund programs were effective. The audit also concluded that MSF's efforts to monitor recipients' compliance with grant, loan, and contract requirements were moderately effective. It noted one reportable condition. In addition, the audit concluded that MSF's efforts to evaluate the economic development outcomes of the 21st Century Jobs Trust Fund programs were moderately effective. It noted one reportable condition. Further, the audit concluded that MSF was in partial compliance with selected reporting requirements of the <i>Michigan Compiled Laws</i> for the 21st Century Jobs Trust Fund programs. It noted one reportable condition.			
271-0425-11	Renaissance Zone Program	Performance	4	0
	The audit concluded that the Michigan Economic Development Corporation's (MEDC's) efforts to evaluate the Renaissance Zone Program's impact of creating new jobs, retaining jobs, and stimulating capital investment within the State were not effective. It noted one material condition and one reportable condition. The audit also concluded that MEDC's efforts to monitor Renaissance Zones for compliance with development agreement requirements were moderately effective. It noted one material condition and one reportable condition.			
			247	51

## GLOSSARY

## Glossary of Commonly Used Financial Audit Terms (Including Single Audit Terms)

adverse opinion

See "auditor's opinion" for definition.

auditor's opinion

The Office of the Auditor General issues opinions, as applicable, on financial statements, financial schedules, supplemental financial information, and compliance with requirements for major federal programs. The types of auditor's opinions are:

**a. Unqualified opinion:**

- (1) Financial presentation: An unqualified opinion states that the financial statements, financial schedules, or supplemental financial information are fairly presented in conformity with generally accepted accounting principles.
- (2) Compliance: An unqualified opinion states that the audited entity complied, in all material respects, with the cited compliance requirements applicable to each major federal program.

**b. Qualified opinion:**

- (1) Financial presentation: A qualified opinion identifies a scope limitation or one or more instances of misstatements that impact the fair presentation of the financial statements, financial schedules, or supplemental financial information.
- (2) Compliance: A qualified opinion identifies a scope limitation or material noncompliance with one or more of the cited compliance requirements applicable to each major federal program.

**c. Adverse opinion:**

- (1) Financial presentation: An adverse opinion states that the financial statements, financial schedules, or supplemental financial information are not fairly presented in conformity with generally accepted accounting principles.
- (2) Compliance: An adverse opinion states that the audited entity did not comply, in all material respects, with the cited compliance requirements applicable to each major federal program.

*Catalog of Federal  
Domestic Assistance  
(CFDA)*

The catalog that provides a full listing, with detailed program descriptions, of all federal programs available to state and local governments.

cluster	A grouping of closely related federal programs that have similar compliance requirements. Although the programs within a cluster are administered as separate programs, a cluster of programs is treated as a single program for the purpose of meeting the audit requirements of OMB Circular A-133.
<i>Code of Federal Regulations (CFR)</i>	The codification of the general and permanent rules published by the departments and agencies of the federal government.
deficiency in internal control over federal program compliance	The design or operation of a control over compliance that does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. These deficiencies are typically categorized as significant or material: <ul style="list-style-type: none"> <li>a. <b>Significant deficiency in internal control over federal program compliance:</b> A deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.</li> <li>b. <b>Material weakness in internal control over federal program compliance:</b> A deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.</li> </ul>
deficiency in internal control over financial reporting	The design or operation of a control that does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. These deficiencies are typically categorized as significant or material: <ul style="list-style-type: none"> <li>a. <b>Significant deficiency in internal control over financial reporting:</b> A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.</li> <li>b. <b>Material weakness in internal control over financial reporting:</b> A deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial schedules and/or financial statements will not be prevented, or detected and corrected, on a timely basis.</li> </ul>
financial audit	An audit that is designed to provide reasonable assurance about whether the financial schedules and/or financial statements of an audited entity are presented fairly in all material respects in conformity with the disclosed basis of accounting.

generally accepted accounting principles (GAAP)	A technical accounting term that encompasses the conventions, rules, guidelines, and procedures necessary to define accepted accounting practice at a particular time. Also cited as "accounting principles generally accepted in the United States of America."
Governmental Accounting Standards Board (GASB)	An arm of the Financial Accounting Foundation established to promulgate standards of financial accounting and reporting with respect to activities and transactions of state and local governmental entities.
internal control	A process, effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
low-risk auditee	As provided for in OMB Circular A-133, an auditee that may qualify for reduced federal audit coverage if it receives an annual single audit and it meets other criteria related to prior audit results. In accordance with State statute, this single audit was conducted on a biennial basis; consequently, this auditee is not considered a low-risk auditee.
material misstatement	A misstatement in the financial schedules and/or financial statements that causes the schedules and/or statements to not present fairly the financial position or the changes in financial position or cash flows in conformity with the disclosed basis of accounting.
material noncompliance	Violations of laws, regulations, contracts, and grants that could have a direct and material effect on [for single audit, insert "major federal programs or on"] financial schedule and/or financial statement amounts.
material weakness in internal control over federal program compliance	See "deficiency in internal control over federal program compliance" for definition.
material weakness in internal control over financial reporting	See "deficiency in internal control over financial reporting" for definition.
other noncompliance	Violations of contracts or grant agreements that are not material to the financial schedules or financial statements but should be communicated to management in accordance with <i>Government Auditing Standards</i> . Other noncompliance also includes violations of laws, regulations, contracts, or grant agreements; fraud; abuse; or other internal control deficiencies that may be communicated to management in accordance with <i>Government Auditing Standards</i> .
qualified opinion	See "auditor's opinion" for definition.

questioned cost	A cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of federal funds, including funds used to match federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
	After the audit report is filed with the federal audit clearinghouse, the responsible federal agency is required to issue a management decision within six months of the receipt of the audit report. The management decision may include a request for the return of the known questioned costs.
significant deficiency in internal control over federal program compliance	See "deficiency in internal control over federal program compliance" for definition.
significant deficiency in internal control over financial reporting	See "deficiency in internal control over financial reporting" for definition.
single audit	A financial audit, performed in accordance with the Single Audit Act Amendments of 1996, that is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States, a single audit requires 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 OMB Circular A-133.
SOMCAFR	<i>State of Michigan Comprehensive Annual Financial Report.</i>
subrecipient	A nonfederal entity that expends federal awards received from another nonfederal entity to carry out a federal program.
unqualified opinion	See "auditor's opinion" for definition.
U.S. Office of Management and Budget (OMB)	A cabinet-level office that assists the President in overseeing the preparation of the federal budget and in supervising its administration in executive branch agencies.

## Glossary of Commonly Used Performance Audit Terms

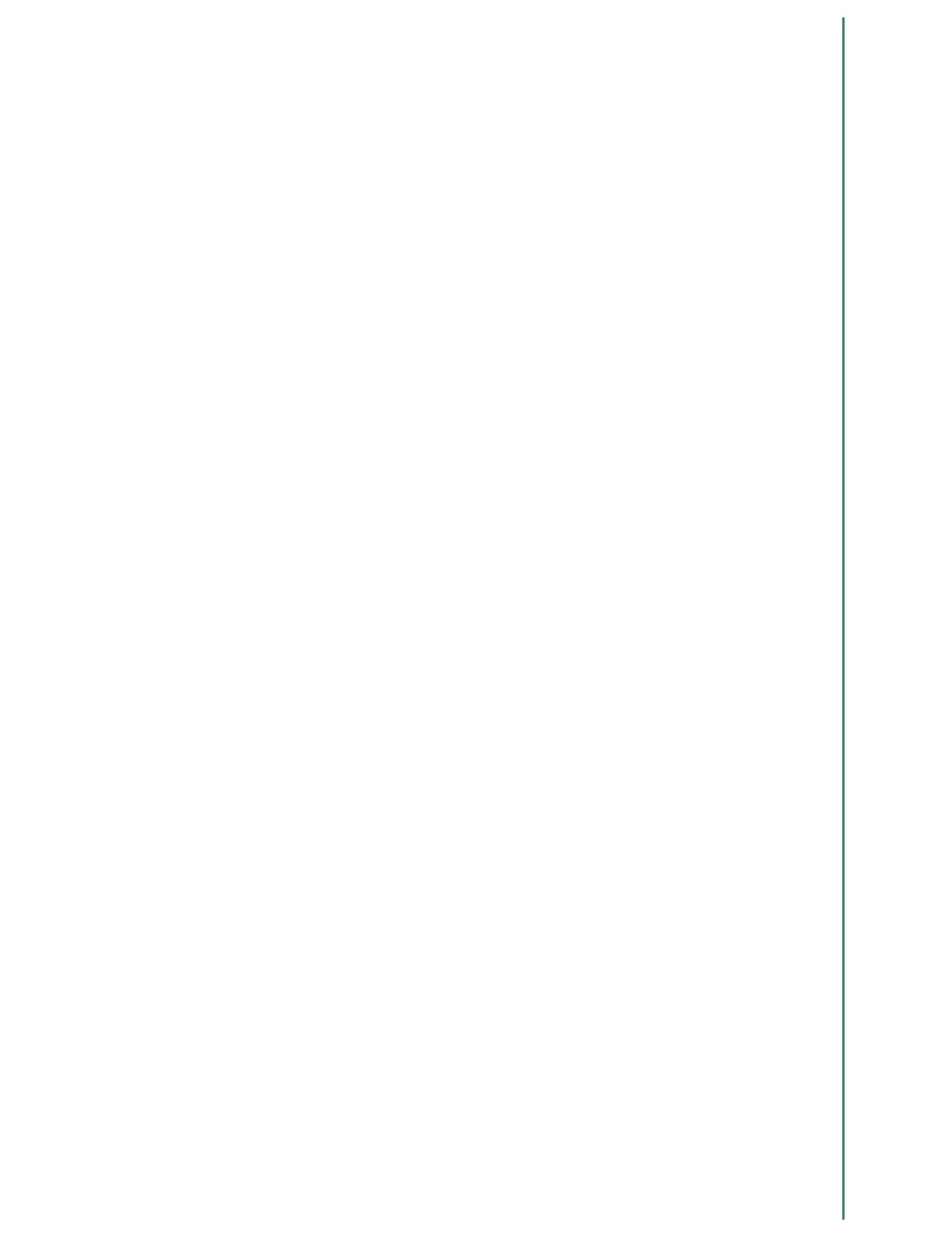
audit finding	The Office of the Auditor General categorizes its audit findings as either reportable conditions or material conditions: <ol style="list-style-type: none"><li>a. <b>Reportable condition:</b> A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.</li><li>b. <b>Material condition:</b> A reportable condition that could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.</li></ol>
continuous quality improvement (CQI)	A process that aligns the vision and mission of an organization with the needs and expectations of internal and external customers. It normally includes a process to improve program effectiveness and efficiency by assessing performance indicators that measure outputs and outcomes related to the program vision, mission, goals, and objectives.
effectiveness	Success in achieving mission and goals.
efficiency	Achieving the most outputs and the most outcomes practical with the minimum amount of resources.
goal	An intended outcome of a program or an entity to accomplish its mission.
input	A resource (e.g., staff hours or expenditures) that is consumed in producing outputs.
internal control	The plan, policies, methods, and procedures adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It includes the systems for measuring, reporting, and monitoring program performance. Internal control serves as a defense in safeguarding assets and in preventing and detecting errors; fraud; violations of laws, regulations, and provisions of contracts and grant agreements; or abuse.
material condition	See "audit finding" for definition.
mission	The main purpose of a program or an entity or the reason that the program or the entity was established.

objective	Specific outcome(s) that a program or an entity seeks to achieve its goals.
observation	A commentary that highlights certain details or events that may be of interest to users of the report. An observation differs from an audit finding in that it may not include the attributes (condition, effect, criteria, cause, and recommendation) that are presented in an audit finding.
outcome	An actual impact of a program or an entity.
output	A product or a service produced by a program or an entity.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
performance measure	A composite of key indicators of a program's or an activity's inputs, outputs, outcomes, productivity, timeliness, and/or quality. Performance measures are a means of evaluating policies and programs by measuring results against agreed upon program goals or standards.
performance measurement system	A system for capturing and processing data to determine if a program or an entity is achieving its goals.
performance standard	A desired level of output or outcome.
reportable condition	See "audit finding" for definition.











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