



**MICHIGAN STRATEGIC FUND**

November 30, 2010

300 N. WASHINGTON SQ.  
LANSING, MI 48913

Mr. Doug Ringler  
Office of Internal Audit Services  
Office of the State Budget  
George W. Romney Building  
111 South Capitol, 6th Floor  
Lansing, Michigan 48913

**MSF BOARD**

D. GREGORY MAIN  
President and Chair  
Michigan Economic  
Development Corporation

LINDA EWING  
United Auto Workers

JAMES HERBERT  
Neogen Corporation

PAUL E. HODGES, III

GEORGE W. JACKSON, JR.  
Detroit Economic  
Growth Corporation

ROBERT KLEINE  
Michigan Department  
of Treasury

ANDREW LEVIN  
Michigan Department  
of Energy, Labor &  
Economic Growth

MITCHELL A. MONDRY  
M Group, LLC

JAMES G. PETCOFF  
JFFS, LLC

RICHARD E. RASSEL  
Butzel Long

CHARLES ROTHSTEIN  
Beringea LLC

Dear Director Ringler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, following is a summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's audit report of the Michigan Strategic Fund - Performance Audit of the 21<sup>st</sup> Century Jobs Trust Fund.

Questions regarding the summary table or corrective action plans should be directed to:

Christin Armstrong  
Corporate Staff Attorney  
(517) 241-5055  
armstrongc@michigan.org

Sincerely,

Signature Redacted

D. Gregory Main  
President and Chairman

cc:

Executive Office  
Office of the Auditor General  
Sen. Jason Allen  
Sen. Nancy Cassis  
Sen. Mark Jansen  
Sen. John Pappageorge  
Sen. Alan Sanborn

Rep. Ed Clemente  
Rep. Fred Durhal, Jr.  
Rep. Kate Ebli  
Rep. Robert Jones  
Senate Fiscal Agency  
House Fiscal Agency

## Summary Table of 2010 21<sup>st</sup> Century Jobs Trust Fund Performance Audit Findings

Finding	MSF Response	MSF Corrective Action	Date of Compliance
#1	Agree	The MSF developed and implemented a checklist to clearly document its review of the eligibility requirements for COEE applicants/recipients.	10/1/2010
#2	Agree	The MSF uses an electronic awards management system and has a standard policy and operating procedure to assist in ensuring that no payments are disbursed prior to receipt and approval of a progress report. In addition, the MSF will provide guidance to the recipients so that they are aware of the documentation they will be expected to retain and provide to the MSF.	10/1/2010
#3	Agree	The MSF will begin collecting data related to federal contract opportunities identified, dollar value of federal contract opportunities, and projected number of new jobs from the DC3 independent contractors. The contracts have been revised to require the independent contractors to report this data on a regular basis.	10/1/2010
	Agree	The MSF will begin collecting available tax data from all new awardees under the CET and CFGF programs. The contracts will require new recipients to report certain tax data in its semi-annual progress reports. The MSF will report this data to the legislature.	10/1/2010
	Partially Agree	The MSF will also begin collecting information consistent with the national standards for measuring program effectiveness of business incubators. The contracts have been revised to require new award recipients to report data related to increases in revenue, employment numbers, and additional investments for current and graduated clients.	1/1/2011
#4	Agree	The MSF will consistently calculate the number of jobs generated by the PTACs. In addition, the MSF will add footnotes to its annual report that will provide the disclosures necessary for the reader to fully understand the data reported.	3/31/2011

## **FINDING**

### 1. **Awarding Process**

## **RECOMMENDATION**

We recommend that MSF sufficiently document its review of eligibility requirements for the COEE Program.

## **AGENCY FINAL RESPONSE**

MSF agrees with the recommendation. MSF has developed and implemented a standard checklist to more clearly document its review of the eligibility of COEE applicants and recipients.

## **FINDING**

### **2. Adequate Progress Prior to Payment**

## **RECOMMENDATIONS**

We recommend that MSF ensure that recipients demonstrate adequate progress in achieving stated milestones prior to making contract payments.

We also recommend that MSF sufficiently document the information reviewed and the basis for approval of the recipients' progress reports.

## **AGENCY FINAL RESPONSE**

MSF agrees with the recommendations.

Subsequent to the payments noted in the report, MSF instituted a portfolio management policy and award oversight process that addresses the concerns referenced in the finding. Currently, prior to the approval of a disbursement request, a portfolio manager or contract manager must perform a complete and thorough review of all pertinent information for the project in relation to the Key Milestone(s) being reported as complete. The portfolio manager or contract manager is required to document his/her review of supporting documentation (both with respect to this disbursement request and other documentation previously provided); confirmation that all applicable Progress Reports have been submitted and approved; confirmation that all applicable Annual Reports have been submitted and approved; notes and observations made during the requisite site visits by the portfolio manager or contract manager; and any other information/documentation pertinent to this disbursement request or progress report. MSF has standardized the documentation requested from recipients of 21<sup>st</sup> Century Jobs Trust Fund program awards and has made this information available to the various awardees.

## **FINDING**

### **3. Assessment of Program Effectiveness**

#### **RECOMMENDATIONS**

We recommend that MSF improve its processes to assess the effectiveness of four of the programs administered under the 21<sup>st</sup> Century Jobs Trust Fund.

#### **AGENCY FINAL RESPONSE**

MSF agrees with the recommendations.

MSF has added reporting requirements to the DC3 independent contractor agreements. Independent contractors of the DC3 will be required to report number of contracts awarded, total value of contracts awarded, and number of jobs created.

For the CET and CFGF programs, MSF collected a variety of output data including jobs created and retained, patents, copyrights, trademarks, new licensing agreements, and products commercialized. These results were aggregated and used in an assessment of the programs' overall effectiveness. Going forward, the MSF will also attempt to collect additional output data, such as state taxes paid, in order to better evaluate the programs.

For the Business Incubator Program, MSF has made it a tactical objective for 2011 to align the reporting requirements of existing incubators with national performance standard measures of effectiveness, including increases in revenue, employment numbers, and additional investments for both current and graduated clients. These metrics will be integrated into all new funding opportunities for business incubators.

## **FINDING**

### **4. Program Reporting**

## **RECOMMENDATION**

We recommend that MSF improve its reporting procedures to ensure that data reported for the 21<sup>st</sup> Century Jobs Trust Fund programs is correct and contains the significant disclosures necessary to understand the program data presented.

## **AGENCY FINAL RESPONSE**

MSF agrees with the recommendation.

MSF will use a higher degree of specificity in its reporting of output measures with respect to its programs and has revised its reporting procedures to include additional verification that the figures reported to the Legislature are correct. MSF will also use footnotes to more accurately present the data reported.