EXECUTIVE DIGEST

MICHIGAN VETERANS' TRUST FUND

INTRODUCTION
This report contains the results of our performance audit of the Michigan Veterans' Trust Fund, Department of Management and Budget, for the period October 1, 1990 through March 31, 1995 and our financial audit for the period October 1, 1992 through September 30, 1994.

AUDIT PURPOSE
This performance and financial audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness and efficiency. Financial audits are conducted at various intervals to permit the Auditor General to express an opinion on the State's financial statements.

BACKGROUND
The Trust Fund was established to provide grants for the emergency needs of veterans, tuition grants to dependents of disabled and deceased veterans, and emergency education loans to veterans and their children. The Legislature established the Trust Fund with a transfer of $50 million of investments from which earnings are to support the Trust Fund operations. The Legislature twice returned part
or all of these investments to the General Fund and replaced the earnings with General Fund appropriations. Scheduled repayments to the Trust Fund have restored the fund principal to $49 million as of September 30, 1994. The Trust Fund is recorded as a special revenue fund in the State of Michigan Comprehensive Annual Financial Report.

Trust Fund expenditures for the fiscal years ended September 30, 1994 and September 30, 1993 were $4,079,898 and $4,430,562, respectively. On March 31, 1995, the Trust Fund had 12 full-time employees.

The Trust Fund also provides administrative support for the Michigan Vietnam Veterans' Memorial Monument Fund. Monument Fund expenditures for the fiscal years ended September 30, 1994 and September 30, 1993 were $7,737 and $49,938, respectively. The fund balance was $12,326 as of September 30, 1994. The Monument Fund has no full-time employees.

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<th>AUDIT OBJECTIVES AND CONCLUSIONS</th>
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<td><strong>Audit Objective:</strong> To assess the effectiveness of the Trust Fund's operation in providing grants for veterans' needs.</td>
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**Conclusion:** The Trust Fund was reasonably effective in providing grants for veterans' needs. Our assessment of the Trust Fund's operation did not disclose any material weaknesses; however, we noted reportable conditions related to administering the Tuition Grant Program, evaluating the future of the emergency loan fund, and monitoring county administrative costs charged to the Trust Fund (Findings 1 through 3).
Audit Objective: To assess the adequacy of the Trust Fund's internal control structure.

Conclusion: Our assessment of the Trust Fund's internal control structure did not disclose any material weaknesses. However, we noted reportable conditions related to preserving the Trust Fund corpus, receipting and depositing cash, estimating Tuition Grant Program accounts payable, reporting time and attendance, and classifying Monument Fund expenditures (Findings 4 through 8).

Audit Objective: To assess the Trust Fund's compliance with applicable statutes, the Michigan Administrative Code, and State policies and procedures that could have a material effect on the Trust Fund's financial statements. Conclusion: Our assessment of the Trust Fund's compliance with applicable laws and regulations did not disclose any instances of noncompliance that could have a material effect on the Trust Fund's financial statements.

Audit Objective: To audit the Trust Fund's and Monument Fund's financial transactions and its financial statements for the fiscal years ended September 30, 1994 and September 30, 1993.

Conclusion: We expressed an unqualified opinion on the financial statements.
AUDIT SCOPE AND METHODOLOGY

Our audit scope was to examine the program and other records of the Michigan Veterans' Trust Fund for the period October 1, 1990 through March 31, 1995 and to examine the financial records for the period October 1, 1992 through September 30, 1994. Our audit was conducted in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

We reviewed Trust Fund procedures, State statutes, and administrative rules and examined benefits granted and administrative costs charged in providing grants to veterans and their dependents.

AGENCY RESPONSES AND PRIOR AUDIT FOLLOW-UP

Our audit report includes 8 findings and 9 corresponding recommendations. The Trust Fund concurred with our recommendations.

The Trust Fund had complied with our 3 prior audit recommendations.