



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

November 14, 2005

The Honorable Jennifer M. Granholm, Governor of Michigan  
The Honorable Kenneth R. Sikkema, Senate Majority Leader  
The Honorable Craig M. DeRoche, Speaker of the House  
The Honorable Robert L. Emerson, Senate Minority Leader  
The Honorable Dianne Y. Byrum, House Minority Leader  
and  
Members of the 93<sup>rd</sup> 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, 2005 and is submitted in accordance with Article IV, Section 53 of the State Constitution.

Our annual reports for fiscal years ending with odd numbers are submitted in an abbreviated format as letter reports, which is the format for this report. Annual reports for fiscal years ending with even numbers are submitted in our traditional format and contain information about our office and the audit reports completed during the fiscal year. Copies of this letter report and of our annual report for the fiscal year ended September 30, 2004 can be found on our Internet web site. Our web site also includes copies of our audit reports.

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

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



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

### To the Legislature

OAG reports provide objective, unbiased, and independently developed information that members of the Legislature can use in making informed decisions with confidence. The OAG also responds directly to requests from the Legislature to review activities, programs, or funds not included in the scope of scheduled audits. Annually, OAG reports contain hundreds of recommendations that identify opportunities for improving effectiveness and efficiency in State 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.

## **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 2004-05

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

Project Number	Report Name	Project Type	Recommendations	
			New	Repeated
<b>AGRICULTURE, DEPARTMENT OF</b>				
79-100-05	Department of Agriculture - R	Single	3	1
79-305-04	Michigan State Fair and Exposition Center <i>The Department has the responsibility of conducting an annual Michigan State Fair and other exhibits or events for the purpose of promoting all phases of the economy of the State. The fairgrounds consist of approximately 200 acres located in Detroit.</i>	Financial	0	0
<b>ATTORNEY GENERAL, DEPARTMENT OF</b>				
11-100-05	Department of Attorney General - R	Single	5	0
<b>CIVIL RIGHTS, DEPARTMENT OF</b>				
15-100-05	Department of Civil Rights - R	Single	0	0
15-200-04	Selected Activities Within the Problem Resolution Process <i>The Civil Rights Commission, the governing authority of the Department of Civil Rights, was created by the State Constitution. The Department's mission is to prevent discrimination through educational programs that promote voluntary compliance with civil rights laws. Constitutional and legislative mandates prohibit discrimination based on religion, race, color, national origin, sex, age, marital status, height, weight, arrest record, and physical and mental disabilities.</i>	Performance	2	0
<b>COMMUNITY COLLEGES</b>				
32-120-04	Charles Stewart Mott Community College <i>The College is a public, two-year institution of higher education offering academic, vocational-technical, and community education programs. The College, located in Flint, began as Flint Junior College in 1923. In June 1969, voters of Genesee Intermediate School District approved the creation of an expanded community college district with an elected Board of Trustees and a new tax levy. Following the death of Charles Stewart Mott in 1973, the Board of Trustees changed the College's name to Charles Stewart Mott Community College.</i>	Performance	8	0

AUDIT AND LETTER REPORTS COMPLETED  
DURING FISCAL YEAR 2004-05

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
32-170-03	Henry Ford Community College <i>The College is a public, two-year institution of higher education accredited by the North Central Association of Colleges and Secondary Schools. The College was established in 1938 and currently offers courses at its campus and two other locations in Dearborn. The College operates under the authority of Sections 389.1 - 389.195 of the Michigan Compiled Laws, commonly known as the Community College Act of 1966, and Sections 380.1601 - 380.1607 of the Michigan Compiled Laws, commonly known as the Michigan School Code.</i>	Performance	3	0
32-190-04	Jackson Community College <i>The College is a public, two-year institution of higher education offering academic, vocational-technical, and continuing education courses. The College was established in 1928 as an extension of the Jackson Public School system and became a separate institution by vote of the electorate in 1962. The College operates under the authority of Sections 389.1 - 389.195 of the Michigan Compiled Laws, commonly known as the Community College Act of 1966.</i>	Performance	5	0
32-230-03	Lake Michigan College <i>The College became a public, two-year institution of higher education offering academic, vocational-technical, and continuing education programs in 1964. The community college district includes Berrien County, Covert Township in Van Buren County, and the South Haven School District. The College offers associate degrees and certificates in more than 75 transfer and occupational areas of study and programs.</i>	Performance	8	0
32-290-04	Muskegon Community College <i>The College is a public, two-year institution of higher education offering academic, vocational-technical, and continuing education courses. The College operates under the authority of Sections 389.1 - 389.195 of the Michigan Compiled Laws, commonly known as the Community College Act of 1966.</i>	Performance	7	0
32-310-03	Northwestern Michigan College <i>The College, located in Traverse City, was founded in 1951 by a group of local citizens who wanted to provide an affordable college education for area residents. In 1955, the College became Michigan's first community college under the Michigan Community College Act. The College is primarily a public two-year institution of higher education offering academic and occupational degree and certificate programs.</i>	Performance	6	0

AUDIT AND LETTER REPORTS COMPLETED  
DURING FISCAL YEAR 2004-05

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
<b>COMMUNITY HEALTH, DEPARTMENT OF</b>				
39-145-04	Vital Records and Health Data Statistics, Bureau of Epidemiology <i>The Bureau's Division for Vital Records and Health Statistics processes customer requests for vital records and changes to vital record information, compiles health data, and provides information to the public. The Bureau's Epidemiology Services Division accepts vital records from local registrars, extracts data from vital records, develops data pools, creates and maintains statistical reports, and provides information to the National Center for Health Statistics and to the Centers for Disease Control and Prevention.</i>	Performance	7	6
39-210-03	Center for Forensic Psychiatry and Related Bureauwide Reimbursement Activities, Bureau of Hospitals, Centers, and Forensic Mental Health Services <i>The Center's mission is to provide quality forensic mental health services to individuals and the Michigan court system. The Center conducts diagnostic evaluations on issues related to competency to stand trial and other issues and provides psychiatric treatment for criminal defendants adjudicated incompetent to stand trial and/or acquitted by reason of insanity. The Center, like other Department facilities, is responsible for seeking reimbursement from various parties to recover its treatment delivery costs. For facilities that are certified by the Centers for Medicare and Medicaid Services (CMS), these parties include Medicare and Medicaid. The Center is not CMS-certified.</i>	Performance	7	0
39-215-04	Hawthorn Center, Bureau of Hospitals, Centers, and Forensic Mental Health Services <i>The Center, located in Northville, Michigan, provides intensive inpatient psychiatric services to children and adolescents. Children residing in Michigan between the ages of 5 and 7 who have severe emotional and/or behavioral disorders may be eligible for inpatient treatment. The Center does not provide services to children whose primary diagnosis is a developmental disability, substance abuse, or juvenile delinquency.</i>	Performance	3	0
39-240-03	Northville Psychiatric Hospital and Related Closure Activities, Bureau of Hospitals, Centers, and Forensic Mental Health Services <i>The Hospital was established in 1952. Its mission was to provide a comprehensive array of high-quality inpatient psychiatric services to adult persons with mental illness. On November 18, 2002, the Department announced that it would close the Hospital. As of May 16, 2003, the Hospital had placed all of its patients in a community setting or transferred them to other State-run psychiatric facilities. As of December 2003, the Hospital closing staff were still in the process of disposing of the Hospital's equipment, furnishings, and supplies and securing patient, administrative, and accounting records.</i>	Performance	23	0

AUDIT AND LETTER REPORTS COMPLETED  
DURING FISCAL YEAR 2004-05

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
39-644-01F	<p>Follow-Up Report on the Certificate of Need Program, Certificate of Need Commission</p> <p><i>The Program is intended to regulate the health care industry in Michigan by balancing cost, quality, and access issues and ensuring that only needed health care services are developed. Pursuant to an amendment to Program laws in 2002, the Commission increased from 6 members to 11 members appointed by the Governor with the advice and consent of the Senate. The Commission members are responsible for developing proposed Program review standards and proposing modifications in the statutory list of covered medical services. The Department provides administrative support to the Commission and carries out the day-to-day operations of the Program.</i></p>	Performance	N/A	N/A
39-670-03	<p>Bureau of Substance Abuse and Addiction Services</p> <p><i>The Department created the Bureau as part of a departmental reorganization in July 2003. This reorganization established the Bureau as the primary agency responsible for the substance abuse prevention and treatment services in the State. The Department's substance abuse prevention and treatment programs were originally created by Act 368, P.A. 1978, a part of the Public Health Code.</i></p>	Performance	10	1
39-701-04	<p>Selected Medicaid Managed Care and Fee-for-Service Payments, Medical Services Administration</p> <p><i>Medicaid is a program, administered by the Medical Services Administration, that pays for some or all medical bills for certain individuals and families with low incomes and limited resources. The federal government established Medicaid under Title XIX of the Social Security Act. Medical costs of beneficiaries are paid either by Medicaid managed care health plans or on a fee-for-service basis.</i></p>	Performance	8	0
63-450-03	<p>Bureau of Health Systems</p> <p><i>The Bureau's stated mission is to protect and improve the health status of Michigan's population through the development, maintenance, and assurance of safe, effective, efficient, and accessible health care services delivered through health care facilities, organizations, systems, and personnel and to promote the development of appropriate regulatory policies to achieve a safe, effective, and efficient health care delivery system.</i></p>	Performance	7	0
<b>CORRECTIONS, DEPARTMENT OF</b>				
47-208-04	<p>Bellamy Creek Correctional Facility</p> <p><i>The Facility's mission is to ensure the public's safety by effectively, humanely, and efficiently managing the Facility's resources. The Facility is a medium security (level III), close security (level IV), and minimum security (level I) facility for males, with a capacity of 1,830 prisoners. The Facility is located in Ionia County.</i></p>	Performance	9	0

AUDIT AND LETTER REPORTS COMPLETED  
DURING FISCAL YEAR 2004-05

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
47-225-03	<p>Prisoner Intake Process</p> <p><i>The Department provides intake processing for male and female prisoners, including youthful offenders. The Charles E. Egeler Reception and Guidance Center, located in Jackson, receives all male prisoners and the Scott Reception Center, located in Plymouth, receives all female prisoners. Prisoner intake processing includes prisoner orientation, educational/vocational assessment, psychological assessment, health assessment, and classification screening.</i></p>	Performance	9	0
47-246-04	<p>Chippewa Correctional Facility and Straits Correctional Facility</p> <p><i>The mission of the Chippewa Correctional Facility (CCF) and the Straits Correctional Facility (SCF) is to protect society by providing a safe, secure, and humane setting for staff and prisoners. CCF opened in 1989 and has a prisoner capacity of 1,150. CCF houses minimum security (level I), medium security (level III), and close security (level IV) male prisoners. SCF opened in 1988, has a prisoner capacity of 960, and houses minimum security (level I) male prisoners. CCF and SCF are located in Kincheloe, Michigan.</i></p>	Performance	8	2
47-280-04	<p>Michigan Youth Correctional Facility, a Facility Under Contract With the Department of Corrections</p> <p><i>The Facility, located in Lake County, is the State's only privately owned and operated prison. The Facility opened in 1999 as a maximum security (level V) prison for young male prisoners. As of August 2004, the Facility housed 480 male prisoners who were 14 to 19 years of age and had been adjudicated as adults. The Facility is required by contract to comply with policy directives and operating procedures established by the Department as well as policies and procedures established by the private vendor and the Facility.</i></p>	Performance	11	0
47-310-03	<p>Prisoner Education Program</p> <p><i>The program provides educational opportunities for prisoners to take responsibility for developing their academic, work, and social competencies and to assist them to become contributing, positive members of the prison community while incarcerated and productive members of their communities upon release from prison. Educational programs are offered at 41 correctional facilities and at 5 camps.</i></p>	Performance	7	0
<b>EDUCATION, MICHIGAN DEPARTMENT OF</b>				
31-135-01F	<p>Follow-Up Report on the Office of Education Options</p> <p><i>The Office of School Improvement, formerly the Office of Education Options, is responsible for the oversight of public school academies. The Office of School Improvement is responsible for administering charter school legislation and associated regulations and coordinating the activities of the Department relating to charter schools.</i></p>	Performance	N/A	N/A

AUDIT AND LETTER REPORTS COMPLETED  
DURING FISCAL YEAR 2004-05

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
31-260-04	<p>Michigan School Readiness Program</p> <p><i>The Department has been given the responsibility to attain substantial and meaningful improvement in academic achievement for all students/children with primary emphasis on high priority schools and students. The Program funds programs that are intended to provide a high-quality preschool program for four-year-old children who may be at risk of becoming educationally disadvantaged and who may have extraordinary need of special assistance.</i></p>	Performance	4	0
31-400-04	<p>Pupil Membership Reporting and Auditing Process</p> <p><i>The Department distributes State school aid to local school districts based on full-time equated (FTE) pupil membership counts as reported by the local school districts and audited by the pupil membership auditors. The Department develops and implements policies and procedures pertaining to the reporting and auditing of pupil memberships. The Department distributed approximately \$11 billion for pupil memberships to 57 intermediate school districts, more than 550 school districts, and nearly 200 public school academies to educate approximately 1.7 million FTE pupils during fiscal year 2003-04.</i></p>	Performance	5	0
<b>ENVIRONMENTAL QUALITY, DEPARTMENT OF</b>				
76-141-04	<p>Solid Waste Disposal and Scrap Tire Program Activities, Waste and Hazardous Materials Division</p> <p><i>The Division administers the Solid Waste and Scrap Tire Programs as prevention programs to protect the environment and the public's health. The Division is responsible for the issuance of construction permits and operating licenses for solid waste disposal facilities and registrations for scrap tire haulers and collection sites. The Department reported that 62.6 million cubic yards of solid waste was disposed of in Michigan landfills in fiscal year 2002-03 and that Michigan generates approximately 9 million scrap tires each year.</i></p>	Performance	8	0
76-146-02	<p>Environmental Response and Redevelopment Programs</p> <p><i>The Department was created by Executive Order No. 1995-18, which also transferred environmental regulatory programs to the Department from the Department of Natural Resources. The Department of Environmental Quality's mission is to protect and enhance Michigan's environment and public health. The environmental response and redevelopment programs determine, evaluate, and control risk to the environment and the health, safety, and welfare of Michigan's citizens by carrying out cleanup or other response activities at sites of environmental contamination.</i></p>	Performance	1	0
76-217-03	<p>Clean Michigan Initiative, Environmental and Health Protection Programs, Department of Environmental Quality and Department of Community Health</p> <p><i>The Departments administer the natural resources protection programs funded by the Clean Michigan Initiative bond. These programs include: Brownfield Redevelopment and Environmental Cleanup Program,</i></p>	Performance	2	0

AUDIT AND LETTER REPORTS COMPLETED  
DURING FISCAL YEAR 2004-05

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
	<i>Waterfront Improvements Program, Remediation of Contaminated Lake and River Sediments Program, Nonpoint Source Pollution Prevention and Control Program, Clean Water Fund Program, Pollution Prevention Program, and Abatement of Lead Hazards Program.</i>			
<b>HISTORY, ARTS AND LIBRARIES, DEPARTMENT OF</b>				
25-100-05	Department of History, Arts and Libraries - R	Single	5	0
<b>HUMAN SERVICES, DEPARTMENT OF</b>				
43-278-03	Children's Foster Care Program <i>The Program provides placement and supervision for children who are temporary or permanent State or court wards. The mission of the Program is to provide care and supervision to children removed from their homes because of abuse and neglect while providing services to children and families to establish permanency. Foster care services are provided through a partnership between the Department and contracted agencies.</i>	Performance	10	2
63-432-03	Child Day Care and Child Welfare Licensing Divisions, Office of Children and Adult Licensing <i>The Office licenses and regulates child care organizations to provide protection to children receiving care from licensed agencies, facilities, and homes as required by applicable laws. The Office regulates child day care homes and centers. The Office also regulates child caring institutions, child placing agencies, and children's camps and licenses foster homes for children. In addition, the Office conducts complaint, abuse, and neglect investigations of child care organizations and institutes disciplinary action when appropriate.</i>	Performance	7	0
<b>INFORMATION TECHNOLOGY, DEPARTMENT OF</b>				
07-598-01F	Follow-Up Report on Telecommunication Services and Enterprise Security, Department of Management and Budget <i>Subsequent to our original audit, Executive Order No. 2001-3 transferred the responsibility for all information technology services to the Department of Information Technology (DIT). The mission of DIT is to provide effective solutions, through skilled and valued employees, in its partnership with its clients. DIT is responsible for securing the State's data network, which is used for conducting State business and exchanging information among State agencies, State employees, citizens, and other stakeholders.</i>	Performance	N/A	N/A
39-596-04	General Controls of the Medicaid Management Information System (MMIS), Department of Information Technology and Department of Community Health <i>MMIS is the automated management and control system for the Michigan Medical Assistance Program (Medicaid). Medicaid, created under Title XIX of the Social</i>	Performance	8	0

AUDIT AND LETTER REPORTS COMPLETED  
DURING FISCAL YEAR 2004-05

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
	<i>Security Act, provides medical services for indigent persons in the general categories of families with dependent children; the aged, blind, and disabled; and other targeted groups that meet income eligibility standards. The primary functions of MMIS include claims processing, prior authorization of client services, recipient eligibility, provider enrollment, surveillance and utilization review, management and administrative reporting, and reference files.</i>			
50-505-04	Interdepartmental Billings and Selected Service Delivery Evaluation Efforts <i>The Department was created in October 2001 by Executive Order No. 2001-3 to achieve a unified and more cost-effective approach for managing information technology (IT) among all executive branch agencies. As a State agency, the Department is empowered to enact an enterprise solution for IT and provide consistent professional management of the State's IT resources.</i>	Performance	3	0
50-515-04	Computer Equipment Surplus and Salvage, Department of Information Technology and Department of Management and Budget <i>Network and desktop computer equipment is used by State employees to process and store data for State of Michigan operations. Network and desktop computer equipment that is no longer needed is disposed of through the surplus and salvage process. The disposed of equipment may be reused by another executive branch department or sold at a State surplus auction. The Department of Management and Budget manages the State Surplus Property Program.</i>	Performance	2	0
<b>JUDICIAL</b>				
05-150-05	State-Funded Judicial Operations - R	Single	0	0
05-607-03L	Process of Ordering, Collecting, and Applying Fees From Criminal Proceedings <i>District and circuit courts convict individuals of misdemeanor and felony criminal offenses and order the individuals to pay fees or assessments as part of their sentences. There are numerous entities involved in the process of ordering, collecting, and applying fees from criminal proceedings. The entities that play a primary role and whose records were included within the scope of this audit are the Michigan Supreme Court, the State Court Administrative Office, district courts, circuit courts, county clerks, and the Department of Corrections.</i>	Performance	7	0
<b>LABOR AND ECONOMIC GROWTH, DEPARTMENT OF</b>				
43-231-03	Michigan Commission for the Blind, Department of Labor and Economic Growth and Family Independence Agency <i>Act 260, P.A. 1978, as amended, created the Commission. The Commission consists of five commissioners who are appointed for three-year terms by</i>	Performance	7	1

AUDIT AND LETTER REPORTS COMPLETED  
DURING FISCAL YEAR 2004-05

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
	<i>the Governor. The Commission is responsible for the implementation of programs to help people who are blind to achieve social and economic independence. The Commission is the vocational rehabilitation service agency for the blind in Michigan. Its mission is to provide opportunities to individuals with visual handicaps to achieve employability and/or function independently in society.</i>			
45-185-02F	Follow-Up Report on the Office of Career and Technical Preparation, Michigan Department of Career Development <i>Subsequent to our original audit, Executive Order No. 2003-18 transferred the responsibility for the Office to the Department of Labor and Economic Growth. The Office administers the Career and Technical Education and Tech Prep Programs and 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	N/A	N/A
45-240-01F	Follow-Up Report on Michigan Rehabilitation Services, Michigan Department of Career Development <i>Subsequent to our original audit, Executive Order No. 2003-18 transferred the responsibility for Michigan Rehabilitation Services (MRS) to the Department of Labor and Economic Growth. The mission of MRS is to assist persons with disabilities achieve employment and self-sufficiency.</i>	Performance	N/A	N/A
63-460-00F	Follow-Up Report on the Bureau of Construction Codes, Department of Consumer and Industry Services <i>Subsequent to our original audit, Executive Order No. 2003-18 renamed the Department of Consumer and Industry Services as the Department of Labor and Economic Growth (DLEG). In March 2003, DLEG reorganized and renamed the Bureau of Construction Codes as the Bureau of Construction Codes and Fire Safety. The Bureau of Construction Codes administered laws governing the construction of buildings, including electrical, plumbing, and mechanical laws: barrier free designs; building officials' and inspectors' registration; boiler installation and operation; and elevator safety.</i>	Performance and Financial	N/A	N/A
64-100-05	Department of Labor and Economic Growth and Michigan Department of Career Development - R	Single	11	0
64-500-05	Selected Community Colleges' Reporting of Activities Classification Structure Data - R <i>The activities classification structure (ACS) was developed in response to Section 8, Act 419, P.A. 1978. Also, uniform data reporting requirements were developed for use in making State budget and appropriation decisions. Act 117, P.A. 1984, provided for a funding formula to be used to determine State aid for each community college based on ACS data. The Department of Labor and Economic Growth is responsible for the collection and analysis of certain ACS data.</i>	Performance	9	0

AUDIT AND LETTER REPORTS COMPLETED  
DURING FISCAL YEAR 2004-05

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
64-800-05	Michigan Strategic Fund (A Component Unit of the State of Michigan) - R <i>The Fund was created by Act 270, P.A. 1984, 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	1	0
64-805-05	Michigan Economic Development Corporation (A Component Unit of the State of Michigan) - R <i>The Corporation is a separate legal entity created to promote smart economic growth by developing strategies and providing services to create and retain good jobs and a high quality of life for Michigan residents.</i>	Single	0	0
64-810-05	Michigan Broadband Development Authority (A Component Unit of the State of Michigan) - R <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. The Authority is governed by an 11-member board of directors that consists of the director of the Department of Labor and Economic Growth, the State Treasurer, the executive director of the Michigan State Housing Development Authority, and 8 members appointed by the Governor with the advice and consent of the Senate.</i>	Financial	4	0

**MANAGEMENT AND BUDGET, DEPARTMENT OF**

07-010-04	State of Michigan Comprehensive Annual Financial Report, Office of the State Budget, Fiscal Year 2002-03 - R	Financial	4	1
07-010-05	State of Michigan Comprehensive Annual Financial Report, Office of the State Budget, Fiscal Year 2003-04 - R	Financial	4	2
07-030-05	*Review of Revenue Subject to Constitutional Limitation - Legal Basis of the State of Michigan (Section 26), Fiscal Year 2003-04 - R	Financial	N/A	N/A
07-031-05	*Review of Proportion of Total State Spending from State Sources Paid to Units of Local Government (legal basis) of the State of Michigan (Section 30), Fiscal Year 2003-04 - R	Financial	N/A	N/A
07-100-05	Department of Management and Budget - R	Single	0	1
07-128-04	Space Planning and Leasing Process <i>The Department's Strategic Asset Management is responsible for analyzing the State's current real estate holdings and interests, conducting long-term planning, and disposing of surplus property. Its responsibilities also include evaluating agency space requests, identifying facilities to meet agency needs, requesting and evaluating bids, and administering leases.</i>	Performance	6	0

AUDIT AND LETTER REPORTS COMPLETED  
DURING FISCAL YEAR 2004-05

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
07-629-05	Use of Transportation-Related Funding <i>Act 561, P.A. 2002, requires State agencies that receive transportation-related funding for providing tax and fee collection and other services for transportation funds to contract with the Michigan Department of Transportation. These agencies are also required to annually report the amount of funding contracted for, expended from, and returned to the transportation funds. The Office of the Auditor General is required to report to the Legislature on the charges to transportation funds by State agencies.</i>	Performance	3	0
07-705-04	Procurement Card Program, Office of Financial Services <i>The State of Michigan's Procurement Card Program began in June 1995 as a method to reduce the administrative expense associated with procuring and paying for low dollar items through the standard purchase order process. State employees may use procurement cards for noncontract purchases of \$2,500 or less.</i>	Performance	7	0
<b>MILITARY AND VETERANS AFFAIRS, DEPARTMENT OF</b>				
51-105-04	Veterans Affairs Directorate <i>The Directorate supervises and directs the D.J. Jacobetti and Grand Rapids Homes for Veterans. The Homes provide domiciliary care and nursing facility care to aged and disabled military veterans and widows, widowers, spouses, former spouses, and parents of State veterans. In addition, the Directorate and the Michigan Veterans' Trust Fund (MVTF) Board of Trustees manage the administrative functions of MVTF, which provides emergency grants to veterans and tuition grants to dependents of disabled or deceased veterans.</i>	Performance	6	0
<b>STATE, DEPARTMENT OF</b>				
23-100-05	Department of State - R	Single	0	1
23-591-04	Qualified Voter File and Digital Driver's License Systems, Department of State and Department of Information Technology <i>The Department of State operates the Qualified Voter File System in order to maintain a single Statewide database of registered voters. It also operates the Digital Driver's License System to electronically record, store, and query images and signatures of Michigan drivers and personal identification card applicants. The Department of Information Technology provides services to the Department of State. These services include such things as security, server operation and administration, and network communications.</i>	Performance	2	0

AUDIT AND LETTER REPORTS COMPLETED  
DURING FISCAL YEAR 2004-05

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
<b>STATE POLICE, MICHIGAN DEPARTMENT OF</b>				
55-101-03	Michigan Justice Training Fund, Michigan Commission on Law Enforcement Standards <i>The Michigan Commission on Law Enforcement Standards (MCOLES) is responsible for distributing funds from the Michigan Justice Training Fund in accordance with Act 302, P.A. 1982. MCOLES makes a law enforcement distribution, totaling 60% of the funds, on a per capita basis to be used for in-service criminal justice training. MCOLES is also responsible for distributing 40% of the funds on a competitive grant basis to State and local agencies providing in-service criminal training programs.</i>	Performance and Financial	3	0
55-125-04	Homeland Security and Emergency Management, Department of Military and Veterans Affairs and Michigan Department of State Police <i>Michigan's homeland security efforts are primarily the responsibility of the Department of Military and Veterans Affairs and the Michigan Department of State Police (MSP) and are predominately directed toward providing training and facilitating equipment acquisitions for first responders. MSP's Emergency Management Division coordinates the emergency management activities of federal, State, county, and municipal governments.</i>	Performance	1	0
55-130-02F	Follow-Up Report on the Criminal Justice Information Center <i>The purpose of the Criminal Justice Information Center (CJIC) is to provide accurate, comprehensive, and timely information and analysis for criminal justice and public safety purposes. CJIC is committed to ensuring the accessibility and utility of data for all users, while maintaining the integrity of all records through training and quality control.</i>	Performance	N/A	N/A
55-595-04	Sex Offender Registries <i>The Department established and maintains the Sex Offender Registry and the Public Sex Offender Registry. The Michigan sex offender registries were created with the intent of better assisting law enforcement officers and Michigan residents in preventing and protecting against the commission of future criminal sexual acts by convicted sex offenders.</i>	Performance	5	0
<b>TRANSPORTATION, MICHIGAN DEPARTMENT OF</b>				
59-100-05	Michigan Department of Transportation - R	Single	2	0
59-161-04	Waterways, Wetland, and Soil Erosion and Sedimentation Permits <i>The Department is responsible for analyzing, classifying, and coordinating the efforts of all trunkline projects in accordance with the National Environmental Policy Act of 1969 and for obtaining the required permits prior to project contracts being offered for bids to qualified bidders. Since 2001, the Department has improved approximately 1,325 miles of State roadway, building nearly 50 miles of passing relief lanes and upgrading approximately 975 bridges.</i>	Performance	0	0

AUDIT AND LETTER REPORTS COMPLETED  
DURING FISCAL YEAR 2004-05

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
59-162-04	Traffic and Safety Support Area, Bureau of Highway Delivery <i>The Department's mission is to provide the highest quality transportation for economic benefit and improved quality of life. The Traffic and Safety Support Area is responsible for meeting the traffic engineering responsibilities and requirements of the Department through several support area programs. The central office and the seven region offices share the day-to-day resource management to carry out program objectives.</i>	Performance	2	2
59-190-03	Aviation Services Division and Airports Division, Multi-Modal Transportation Services Bureau <i>The Bureau administers the State airport development program, which provides project management for the programming, planning, safety evaluation, and construction of airports. Also, the Bureau's responsibilities include providing overall administration and direction for aviation programs; assisting communities and aviation interests in aeronautical matters; providing air transportation services to State personnel; coordinating accounting and administration functions; inspecting public use airports; and licensing and/or registering airports, flight schools, aircraft dealers, and aircraft.</i>	Performance	7	1
59-310-02	Fixed Asset and Inventory Controls <i>The Department's Financial Operations Division coordinates fixed asset reporting of the following inventories: aircraft, airport electronics, building, bus, computer, fleet, tagged equipment, and warehouse and stores control. The Department maintains these inventories, with assistance from other State departments for the building and computer inventories. The value of the inventories (excluding the computer inventory) at September 30, 2003 was approximately \$245.6 million.</i>	Performance	7	0
<b>TREASURY, DEPARTMENT OF</b>				
27-265-04	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
27-283-05	Michigan Education Trust Plan D (A Component Unit of the State of Michigan) <i>The Trust was created under Act 316, P.A. 1986, to operate a prepaid college tuition program that will provide a Michigan child's undergraduate tuition at any Michigan public university or community college. The Trust is governed by a Board of Directors consisting of 9 members, including 8 public members who are appointed by the Governor with the advice and consent of the Senate and 1 ex-officio member (the State Treasurer, acting as chairperson).</i>	Financial	0	0

AUDIT AND LETTER REPORTS COMPLETED  
DURING FISCAL YEAR 2004-05

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
27-284-05	Michigan Education Trust Plans B and C (A Component Unit of the State of Michigan) <i>The Trust was created under Act 316, P.A. 1986, to operate a prepaid college tuition program that will provide a Michigan child's undergraduate tuition at any Michigan public university or community college. The Trust is governed by a Board of Directors consisting of 9 members, including 8 public members who are appointed by the Governor with the advice and consent of the Senate and 1 ex-officio member (the State Treasurer, acting as chairperson).</i>	Financial	0	0
27-305-04	Cadillac Local Development Finance Authority <i>The Authority was created in 1991 pursuant to Sections 125.2151 - 125.2174 of the Michigan Compiled Laws (Act 281, P.A. 1986, as amended). In 1995 and 1996, the Authority constructed a complex of wells, pumps, and decontamination towers and tanks to remove volatile organic compounds and chromium from the contaminated groundwater.</i>	Performance	N/A	N/A
27-590-01F	Follow-Up Report on the Automated Information Systems <i>Subsequent to our original audit, Executive Order No. 2001-3 transferred the responsibility for all information technology services to the Department of Information Technology (DIT). The mission of DIT is to provide effective solutions, through skilled and valued employees, in its partnership with the Department of Treasury. DIT is responsible for providing data processing services to the Department. The Department, as the business owner, retains responsibility for all agency business applications. In addition, the Department retains ownership of all data processed through any systems developed in conjunction with DIT.</i>	Performance	N/A	N/A
27-605-05	Federal Cash Management Improvement Act Program <i>The Act, as amended, and the associated federal regulations are designed to ensure fairness between the federal and state governments with regard to the use of federal and state funds for federally mandated programs. The U.S. and Michigan Departments of Treasury have entered into an agreement that identifies the major federal programs and their applicable funding techniques and provides for State and federal interest liabilities if the programs do not follow the funding techniques.</i>	Performance	0	0
<b>UNIVERSITIES</b>				
33-100-04	Central Michigan University <i>The University, which began in 1892 as the Central Michigan Normal School and Business Institute, offers more than 170 programs at the bachelor's, master's, specialist's, and doctoral levels. The University is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools. During fall semester 2003, the University enrolled over 19,000 students at its Mt. Pleasant campus and 8,000 students at its off-campus locations throughout Michigan and the rest of North America.</i>	Performance	5	0

AUDIT AND LETTER REPORTS COMPLETED  
DURING FISCAL YEAR 2004-05

Project Number	Report Title	Project Type	Recommendations	
			New	Repeated
33-150-02	Michigan State University <i>The University was established by Act 130, P.A. 1855, as the Agricultural College of the State of Michigan. The University was the nation's first agricultural college and one of its first land-grant universities. The University's mission is to seek, to teach, and to preserve knowledge through excellence in research, teaching, and outreach. The University accomplishes its mission by offering a comprehensive spectrum of programs to students of varying interests, abilities, backgrounds, and expectations.</i>	Performance	7	0
33-160-03	Michigan Technological University <i>The University is located in the city of Houghton and offers various programs through its five colleges and schools. The University's vision is to become a national institution of choice. The University as a whole is accredited by the North Central Association of Colleges and Schools and the University's colleges and schools are accredited by various accrediting bodies.</i>	Performance	9	0
33-170-04	Northern Michigan University <i>The University is primarily an undergraduate institution emphasizing liberal arts, sciences, education, and professional programs in business, health, and other areas. The University is accredited by the Commission of Institutions of Higher Education of the North Central Association of Colleges and Schools. The University's 336-acre main campus is located in the City of Marquette, and the University operates extension centers in Escanaba and Kingsford. During fall semester 2004, the University had 9,331 students enrolled.</i>	Performance	11	0
33-300-05	*Review of Selected Universities' Reporting of Enrollment and Other Higher Education Institutional Data Inventory (HEIDI) Data - R	N/A	N/A	N/A
			<u>341</u>	<u>21</u>

