



2009

2009 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  
201 N. WASHINGTON SQUARE  
LANSING, MICHIGAN 48913  
(517) 334-8050  
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THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

September 30, 2009

The Honorable Jennifer M. Granholm, Governor of Michigan  
The Honorable Mike Bishop, Senate Majority Leader  
The Honorable Andy Dillon, Speaker of the House  
The Honorable Michael Prusi, Senate Minority Leader  
The Honorable Kevin A. Elsenheimer, House Minority Leader  
and  
Members of the 95th 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, 2009 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, 2008 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 continuing 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





# National State Auditors Association

October 9, 2009

Mr. Thomas H. McTavish, CPA  
Office of The Auditor General  
201 N. Washington Square  
Lansing, Michigan 48913

Dear Mr. McTavish:

We have reviewed the system of quality control of the State of Michigan, Office of the Auditor General (the office) in effect for the period October 1, 2008 through September 30, 2009. A system of quality control encompasses the office's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with government auditing standards. The design of the system and compliance with it are the responsibility of the office. Our responsibility is to express an opinion on the design of the system, and the office's compliance with the system based on our review.

We conducted our review in accordance with the policies and procedures for external peer reviews established by the National State Auditors Association (NSAA). In performing our review, we obtained an understanding of the office's system of quality control for engagements conducted in accordance with government auditing standards. In addition, we tested compliance with the office's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the office's policies and procedures on selected engagements. The engagements selected represented a reasonable cross-section of the office's engagements conducted in accordance with government auditing standards. We believe that the procedures we performed provide a reasonable basis for our opinion.

Our review was based on selective tests; therefore it would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it. Also, there are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control of the State of Michigan, Office of The Auditor General in effect for the period October 1, 2008 through September 30, 2009 has been suitably designed and was complied with during the period to provide reasonable assurance of conforming with government auditing standards.

Team Leader  
National State Auditors Association  
External Peer Review Team

Concurring Reviewer  
National State Auditors Association  
External Peer Review Team



## **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>](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 2008-09

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

| Project Number | Report Title  | Project Type | Recommendations |          |
|----------------|---|--------------|-----------------|----------|
|                |   |              | New             | Repeated |
| 791-0100-09    | <p><b>AGRICULTURE, DEPARTMENT OF</b><br/> Michigan Department of Agriculture - R</p> <p>The audit included an unqualified opinion on the Michigan Department of Agriculture's financial schedules. The audit identified significant deficiencies in internal control over financial reporting and considered three findings to be material weaknesses. The audit 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>. However, it did identify other instances of noncompliance. The audit covered 6 programs as major programs and reported known questioned costs of \$69,746 and known and likely questioned costs of \$75,484. The Department expended a total of \$18.7 million in federal awards during the two-year period ended September 30, 2008. The audit included 5 unqualified opinions and 1 adverse opinion on the Department's compliance with major federal program requirements. The audit identified significant deficiencies in internal control over federal program compliance and considered one finding to be a material weakness. The audit identified instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133 and considered one finding to contain material noncompliance. The audit determined that the Department was in substantial compliance with Sections 18.1483 - 18.1487 of the <i>Michigan Compiled Laws</i>. However, it did identify a significant deficiency related to Section 18.1485 and considered this to be a material weakness in internal control.</p> | Single       | 10              | 4        |
| 111-0100-09    | <p><b>ATTORNEY GENERAL, DEPARTMENT OF</b><br/> Department of Attorney General - R</p> <p>The audit included an unqualified opinion on the Department of Attorney General's financial schedules. The audit identified a significant deficiency in internal control over financial reporting. However, it did not consider this significant deficiency to be a material weakness. The audit 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</i></p>  | Single       | 1               | 0        |

| Project Number | Report Title  | Project Type | Recommendations |          |
|----------------|---|--------------|-----------------|----------|
|                |   |              | New             | Repeated |
|                | <p><i>Standards.</i> The audit covered one program as a major program and issued an unqualified opinion on the Department's compliance with major federal program requirements. The Department expended a total of \$7.5 million in federal awards during the two-year period ended September 30, 2008. The audit did not report any findings related to internal control over federal program compliance. The audit did not identify any instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133. The audit determined that the Department was in substantial compliance with Sections 18.1483 - 18.1487 of the <i>Michigan Compiled Laws</i>.</p>  |              |                 |          |
| 151-0100-09    | <p><b>CIVIL RIGHTS, DEPARTMENT OF</b><br/>Department of Civil Rights - R</p> <p>The audit included an unqualified opinion on the Department of Civil Rights' financial schedules. The audit did not report any findings related to internal control over financial reporting. The audit 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>. The audit covered 2 programs as major programs and issued 2 unqualified opinions on the Department's compliance with major federal program requirements. The Department expended a total of \$4.1 million in federal awards during the two-year period ended September 30, 2008. The audit did not report any findings related to internal control over federal program compliance. The audit did not identify any instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133. The audit determined that the Department was in substantial compliance with Sections 18.1483 - 18.1487 of the <i>Michigan Compiled Laws</i>.</p> | Single       | 0               | 0        |
| 391-0100-08    | <p><b>COMMUNITY HEALTH, DEPARTMENT OF</b><br/>Department of Community Health - R</p> <p>The audit included an unqualified opinion on the Department of Community Health's financial schedules. The audit identified significant deficiencies in internal control over financial reporting and considered one finding to be a material weakness. The audit 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>. The audit covered 11 programs as major programs and reported known questioned costs of \$57.9 million and known and likely questioned costs totaling \$57.9 million. The Department expended a total of \$11.8 billion in federal awards during the two-year period ended September 30, 2007. The audit included 8 unqualified opinions and 3 qualified opinions on</p>   | Single       | 23              | 8        |

| Project Number | Report Title  | Project Type | Recommendations |          |
|----------------|---|--------------|-----------------|----------|
|                |   |              | New             | Repeated |
|                | <p>the Department's compliance with major federal program requirements. The audit identified significant deficiencies in internal control over federal program compliance and considered three findings to be material weaknesses. The audit identified instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133. The audit determined that the Department was in substantial compliance with Sections 18.1483 - 18.1487 of the <i>Michigan Compiled Laws</i>. However, it did identify a significant deficiency.</p>   |              |                 |          |
| 391-0705-06    | <p>Health Insurance Cost Avoidance and Recovery Section</p> <p>The audit concluded that the Health Insurance Cost Avoidance and Recovery Section's (HICARS's) efforts to timely identify carriers with liability for all or part of a recipient's health care costs and include relevant information related to the carriers in the third party liability database were not effective. It noted two material conditions and one reportable condition. The audit also concluded that HICARS's efforts to timely recover Medicaid costs from liable carriers were not effective or efficient. It noted four material conditions and one reportable condition. In addition, the audit concluded that HICARS's efforts to process suspended health care claims in a timely manner were effective and its efforts to process suspended health care claims in compliance with HICARS's written procedures were moderately effective. It noted one reportable condition. The audit further concluded that HICARS's efforts to ensure that the Medicaid claims processing system included the necessary edits to reject provider health care claims that were the liability of carriers were moderately effective. It noted one reportable condition.</p> | Performance  | 16              | 0        |
|                | <p><b>CORRECTIONS, DEPARTMENT OF</b></p>  |              |                 |          |
| 471-0130-08    | <p>Bureau of Correctional Industries</p> <p>The audit concluded that the Bureau of Correctional Industries' efforts to efficiently provide products and services were not effective. It noted one material condition and three reportable conditions. The audit also concluded that the Bureau's efforts to provide marketable job skills to prisoners were moderately effective. It noted one reportable condition. In addition, the audit concluded that the Bureau's efforts to market products and services were moderately effective. It noted one reportable condition. The audit further concluded that the Bureau's efforts to provide products and services of a quality that meets or exceeds customer expectations were moderately effective. It noted one reportable condition.</p>   | Performance  | 7               | 0        |

| Project Number | Report Title  | Project Type | Recommendations |          |
|----------------|---|--------------|-----------------|----------|
|                |   |              | New             | Repeated |
| 471-0239-08    | G. Robert Cotton Correctional Facility<br>The audit concluded that the G. Robert Cotton Correctional Facility's efforts to comply with selected policies and procedures related to safety and security were moderately effective. It noted nine reportable conditions.  | Performance  | 9               | 0        |
| 471-0360-08    | Substance Abuse Services<br>The audit concluded that Substance Abuse Services' efforts to evaluate outcomes related to substance abuse services provided to prisoners and parolees were moderately effective. It noted one reportable condition. The audit also concluded that Substance Abuse Services' contract management over providers of substance abuse services was moderately effective. However, it noted one reportable condition.   | Performance  | 2               | 0        |
| 471-0614-98F   | Follow-Up Report of Employee Discipline and Grievance Programs<br>The follow-up disclosed that the Department of Corrections had complied with one recommendation and had not complied with the other recommendation.   | Performance  | N/A             | N/A      |
| 471-0620-07L   | Selected Personnel and Other Administrative Costs<br>The audit concluded that the Department of Corrections' efforts to manage costs related to staffing, overtime, and salaries and benefits were moderately effective. It noted two reportable conditions. The audit also concluded that the Department's efforts to manage other administrative costs were effective. However, it noted one reportable condition.  | Performance  | 3               | 0        |
| 471-0623-07L   | Prisoner Transportation<br>The audit concluded that the Department of Corrections' efforts to manage prisoner transportation costs were moderately effective. It noted five reportable conditions.  | Performance  | 1               | 4        |
| 313-0590-08    | <b>EDUCATION, MICHIGAN DEPARTMENT OF</b><br>Selected Payment and Related Systems<br>The audit concluded that Michigan Department of Education and Michigan Department of Information Technology's security and access controls over the selected information systems were not effective. It noted two material conditions and one reportable condition. The audit also concluded that the Departments were moderately effective in their efforts to ensure the integrity of data maintained by the Departments for use in the selected information systems. It noted one material condition and three reportable conditions. In addition, the audit concluded that the Departments were | Performance  | 12              | 0        |

| Project Number | Report Title  | Project Type | Recommendations |          |
|----------------|---|--------------|-----------------|----------|
|                |   |              | New             | Repeated |
|                | <p>moderately effective in their efforts to ensure that the selected information systems accurately calculated federal and State payments. It noted one material condition and four reportable conditions.</p>  |              |                 |          |
| 641-0100-09    | <p><b>ENERGY, LABOR &amp; ECONOMIC GROWTH, DEPARTMENT OF</b><br/>Department of Labor and Economic Growth - R</p> <p>The audit included an unqualified opinion on the Department of Labor and Economic Growth's financial schedules. It identified a significant deficiency in internal control over financial reporting. However, it did not consider this significant deficiency to be a material weakness. The audit 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>. The audit covered 15 programs as major programs and reported known questioned costs of \$22.4 million and known and likely questioned costs totaling \$22.4 million. The Department expended \$960.8 million in federal awards during the two-year period ended September 30, 2008. The audit included 9 unqualified opinions, 5 qualified opinions, and 1 adverse opinion on the Department's compliance with major federal program requirements. The audit identified significant deficiencies in internal control over federal program compliance and considered five findings to be material weaknesses. The audit identified instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133. The audit determined that the Department was in substantial compliance with Sections 18.1483 - 18.1487 of the <i>Michigan Compiled Laws</i>.</p> | Single       | 13              | 1        |
| 641-0420-08    | <p>Homeowner Construction Lien Recovery Fund</p> <p>The audit included an unqualified opinion on the Homeowner Construction Lien Recovery Fund's financial statements. The audit identified a significant deficiency in internal control over financial reporting and considered that finding to be a material weakness. 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    | 1               | 0        |
| 641-0591-08    | <p>Accessible Web-Based Activity and Reporting Environment (AWARE)</p> <p>The audit concluded that the Department of Energy, Labor, &amp; Economic Growth and the Michigan Department of Information Technology's security and access controls over the Accessible Web-Based Activity and Reporting Environment (AWARE) were not effective. It noted two material conditions and five reportable conditions. The</p>  | Performance  | 10              | 0        |

| Project Number | Report Title  | Project Type | Recommendations |          |
|----------------|---|--------------|-----------------|----------|
|                |   |              | New             | Repeated |
|                | <p>audit also concluded that the Department of Energy, Labor, &amp; Economic Growth was moderately effective in its efforts to establish system controls over the processing of data within AWARE. It noted three reportable conditions.</p> <p><b>ENVIRONMENTAL QUALITY, DEPARTMENT OF</b></p>   |              |                 |          |
| 761-0217-08    | <p>Clean Michigan Initiative Environmental Protection Programs</p> <p>The audit concluded that the Department of Environmental Quality's processes for identifying and selecting projects to fund with Clean Michigan Initiative (CMI) bond proceeds were effective. The audit also concluded that the Department's contracting and monitoring efforts of CMI-funded projects were effective. In addition, the audit concluded that the Department's efforts to establish and achieve program goals for CMI-funded programs were moderately effective. It noted one reportable condition. The audit further concluded that the Department's process to identify and allocate administrative costs to CMI-funded programs was effective.</p>   | Performance  | 0               | 1        |
|                | <p><b>HISTORY, ARTS AND LIBRARIES, DEPARTMENT OF</b></p>  |              |                 |          |
| 251-0100-09    | <p>Department of History, Arts and Libraries - R</p> <p>The audit included an unqualified opinion on the Department of History, Arts and Libraries' financial schedules. The audit identified significant deficiencies in internal control over financial reporting and considered one finding to be a material weakness. The audit 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>. However, it did identify other instances of noncompliance. The audit covered 3 programs as major programs and reported known questioned costs of \$6.8 million. The Department expended a total of \$12.0 million in federal awards during the two-year period ended September 30, 2008. The audit included 1 qualified opinion and 2 adverse opinions on the Department's compliance with major federal program requirements. The audit identified significant deficiencies in internal control over federal program compliance and considered three findings to be material weaknesses. The audit identified instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133. The audit determined that the Department was in substantial compliance with Sections 18.1483 - 18.1487 of the <i>Michigan Compiled Laws</i>.</p> | Single       | 5               | 5        |

| Project Number | Report Title   | Project Type | Recommendations |          |
|----------------|--|--------------|-----------------|----------|
|                |  |              | New             | Repeated |
| 431-0100-09    | <p><b>HUMAN SERVICES, DEPARTMENT OF</b></p> <p>Department of Human Services - R</p> <p>The audit included unqualified opinions on the Department of Human Services' financial schedules and on the financial statements of the Children's Trust Fund. The audit identified significant deficiencies in internal control over financial reporting. However, it did not consider these significant deficiencies to be material weaknesses. The audit did not identify any instances of noncompliance or other matters applicable to the financial schedules and/or financial statements that are required to be reported under <i>Government Auditing Standards</i>. However, it did identify other instances of noncompliance. The audit covered 14 programs as major programs and identified known questioned costs of \$163.8 million and known and likely questioned costs totaling \$671.0 million. The Department expended a total of \$6.5 billion in federal awards during the two-year period ended September 30, 2008. The audit included 9 unqualified opinions, 3 qualified opinions, and 2 adverse opinions on the Department's compliance with major federal program requirements. The audit identified significant deficiencies in internal control over federal program compliance and considered seven findings to contain material weaknesses. The audit identified instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133. The audit determined that the Department was in substantial compliance with Sections 18.1483 - 18.1487 of the <i>Michigan Compiled Laws</i>.</p> | Single       | 14              | 29       |
| 084-0522-08    | <p><b>INFORMATION TECHNOLOGY, MICHIGAN DEPARTMENT OF</b></p> <p>Advanced Purchasing and Inventory Control System (ADPICS)</p> <p>The audit concluded that the Department of Management and Budget and Michigan Department of Information Technology's (MDIT's) efforts to establish controls to prevent and detect transactions that exceed the purchasing authority in ADPICS were moderately effective. It noted two reportable conditions. The audit also concluded that the Office of the State Budget (OSB) and MDIT's security and access controls over ADPICS were moderately effective. It noted two reportable conditions. In addition, the audit concluded that OSB and MDIT's controls to ensure the complete and accurate transfer of data from ADPICS to the Relational Standard Accounting and Reporting System (R*STARS) were effective.</p>  | Performance  | 4               | 0        |

| Project Number | Report Title   | Project Type | Recommendations |          |
|----------------|--|--------------|-----------------|----------|
|                |  |              | New             | Repeated |
| 084-0597-09    | <p>General Controls Over the Data Collection and Distribution System (DCDS) and the Human Resources Management Network (HRMN)</p> <p>The audit concluded that the Michigan Department of Information Technology's (MDIT's) security and access controls over the Data Collection and Distribution System (DCDS) and Human Resources Management Network (HRMN) operating systems were not effective. It noted one material condition. The audit also concluded that MDIT's security and access controls over the DCDS and HRMN database management systems were not effective. It noted one material condition. In addition, the audit concluded that MDIT's configuration management controls over DCDS and HRMN were moderately effective. It noted one reportable condition.</p>   | Performance  | 3               | 0        |
|                | <b>JUDICIAL</b>  |              |                 |          |
| 950-0150-09    | <p>State-Funded Judicial Operations - R</p> <p>The audit included an unqualified opinion on the State-funded judicial operations' financial schedules. The audit identified significant deficiencies in internal control over financial reporting. However, it did not consider these significant deficiencies to be material weaknesses. The audit 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>. The audit covered 5 programs as major programs and issued 5 unqualified opinions on the State-funded judicial operations' compliance with major federal program requirements. The State-funded judicial operations expended a total of \$9.2 million in federal awards during the two-year period ended September 30, 2008. The audit identified significant deficiencies in internal control over federal program compliance and considered one finding to contain a material weakness. It did not identify any instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133.</p> | Single       | 3               | 0        |
|                | <b>MANAGEMENT AND BUDGET, DEPARTMENT OF</b>  |              |                 |          |
| 071-0010-09    | State of Michigan Comprehensive Annual Financial Report, Office of the State Budget, Fiscal Year 2007-08 - R   | Financial    | 9               | 4        |
| 071-0030-09    | * Review of Revenue Subject to Constitutional Limitation (Legal Basis) of the State of Michigan (Article IX, Section 26 and Section 33), Fiscal Year 2007-08 - R   | Financial    | N/A             | N/A      |
| 071-0031-09    | * Review of Proportion of Total State Spending From State Sources Paid to Units of Local Government (Legal Basis) of the State of Michigan (Article IX, Section 30), Fiscal Year 2007-08 - R   | Financial    | N/A             | N/A      |

| Project Number | Report Title  | Project Type | Recommendations |          |
|----------------|---|--------------|-----------------|----------|
|                |   |              | New             | Repeated |
| 071-0305-09    | <p>Michigan Exposition and Fairgrounds Authority (A Discretely Presented Component Unit of the State of Michigan)</p> <p>The audit included an unqualified opinion on the Michigan Exposition and Fairgrounds Authority's financial statements. The audit identified significant deficiencies in internal control over financial reporting. However, it did not consider these significant deficiencies to be material weaknesses. 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    | 1               | 1        |
| 071-0136-07    | <p>Vehicle and Travel Services</p> <p>The audit concluded that the implementation of the State of Michigan Standardized Travel Regulations by selected departments was moderately effective. It noted one reportable condition. The audit also concluded that the utilization of the State's motor fleet was moderately efficient. It noted one reportable condition. In addition, the audit concluded that State purchased car wash services were efficient. However, it noted one reportable condition. The audit further concluded that the Department of Management and Budget's efforts to monitor and enforce controls over motor fleet fuel purchases were effective.</p>  | Performance  | 3               | 0        |
| 751-0100-08    | <p><b>NATURAL RESOURCES, DEPARTMENT OF</b></p> <p>Department of Natural Resources - R</p> <p>The audit included unqualified opinions on the Department of Natural Resources' financial statements and financial schedules. The audit identified a significant deficiency in internal control over financial reporting. However, it did not consider this significant deficiency to be a material weakness. The audit did not identify any instances of noncompliance applicable to the financial statements and/or financial schedules that are required to be reported under <i>Government Auditing Standards</i>. The audit covered 6 programs as major programs and reported known questioned costs of \$2,706,279 and known and likely questioned costs totaling \$2,775,034. The Department expended a total of \$81.7 million in federal awards during the two-year period ended September 30, 2007. The audit included 4 unqualified opinions and 2 qualified opinions on the Department's compliance with major federal program requirements. The audit identified significant deficiencies in internal control over federal program compliance and considered two findings to contain material weaknesses. The audit identified instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133. The audit determined that the Department was in substantial compliance with Sections 18.1483 - 18.1487 of the <i>Michigan Compiled Laws</i>.</p> | Single       | 6               | 6        |

| Project Number | Report Title  | Project Type | Recommendations |          |
|----------------|---|--------------|-----------------|----------|
|                |   |              | New             | Repeated |
| 231-0100-09    | <p><b>STATE, DEPARTMENT OF</b><br/>Department of State - R</p> <p>The audit included an unqualified opinion on the Department of State's financial schedules. The audit identified a significant deficiency in internal control over financial reporting. However, it did not consider this significant deficiency to be a material weakness. The audit 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>. However, it did identify other noncompliance. The audit covered 5 programs as major programs and issued 5 unqualified opinions on the Department's compliance with major federal program requirements. The Department expended a total of \$7.1 million in federal awards during the two-year period ended September 30, 2008. The audit did not report any findings related to internal control over federal program compliance. The audit did not identify any instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133. The audit determined that the Department was in substantial compliance with Sections 18.1483 - 18.1487 of the <i>Michigan Compiled Laws</i>.</p> | Single       | 2               | 0        |
| 231-0200-08    | <p>Cash Receipts and Branch Office Customer Service</p> <p>The audit concluded that the Department of State's efforts in establishing controls over its cash receipts operations to ensure the proper safeguarding of assets were moderately effective. It noted three reportable conditions. The audit also concluded that the Department's efforts to ensure that appropriate fees are charged to customers and are collected and recorded in an accurate and timely manner were moderately effective. It noted two reportable conditions. In addition, the audit concluded that the Department's efforts in providing efficient customer service at branch offices were effective.</p>   | Performance  | 6               | 0        |
| 551-0130-08    | <p><b>STATE POLICE, MICHIGAN DEPARTMENT OF</b><br/>Criminal History Records Database, Warrants Database, and Traffic Crash Reporting System Within the Criminal Justice Information Center</p> <p>The audit concluded that the Criminal Justice Information Center's (CJIC's) efforts to ensure the accuracy of the Criminal History Records Database were effective and efficient. However, it noted one reportable condition. The audit also concluded that CJIC's efforts to ensure the validity of warrants in the Warrants Database were effective and efficient. In addition, the audit concluded that CJIC was moderately efficient in maintaining the Traffic Reporting System. It noted one reportable condition.</p>  | Performance  | 3               | 0        |

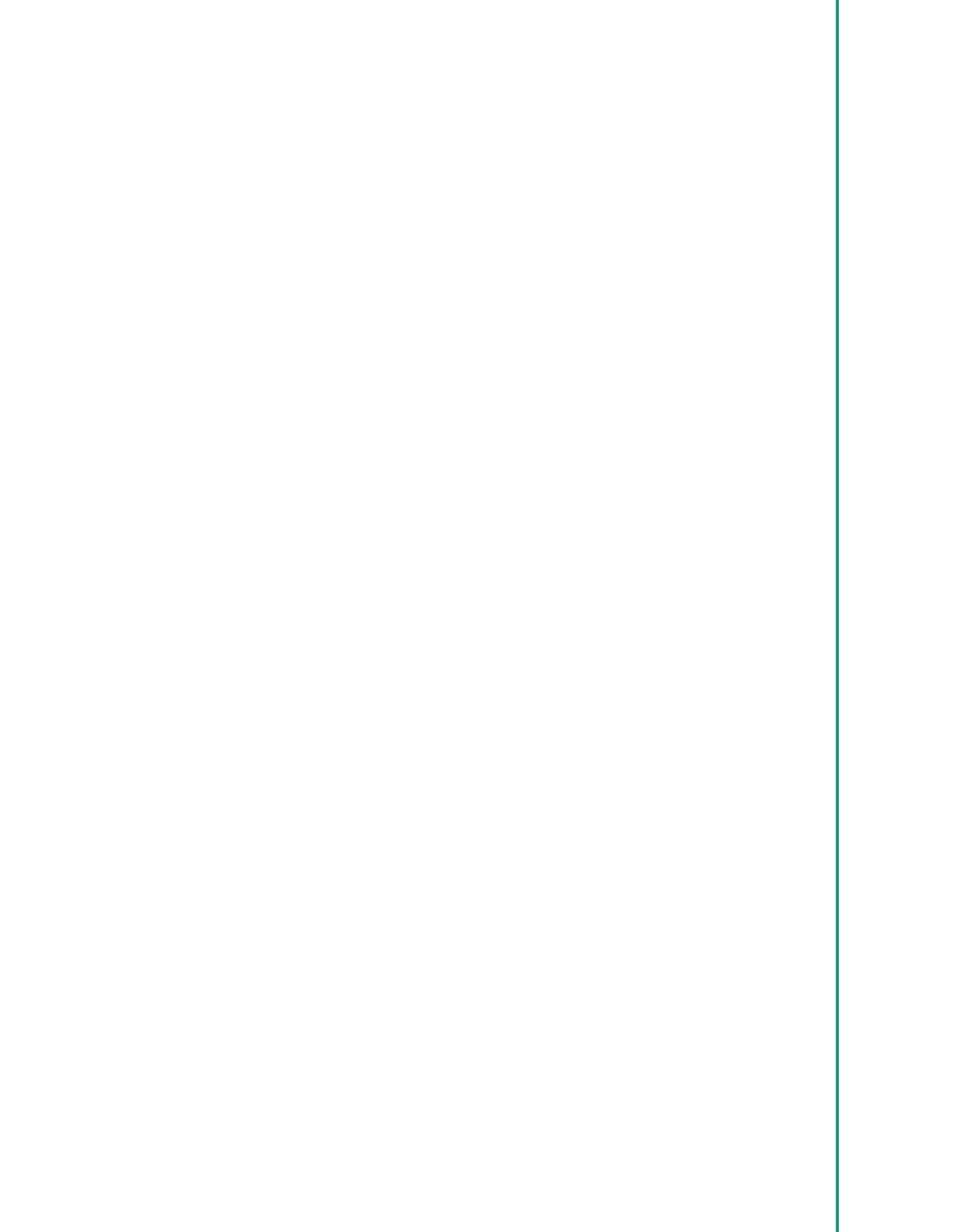
| Project Number | Report Title   | Project Type | Recommendations |          |
|----------------|--|--------------|-----------------|----------|
|                |  |              | New             | Repeated |
| 591-0100-09    | <p><b>TRANSPORTATION, MICHIGAN DEPARTMENT OF</b><br/>Michigan Department of Transportation - R</p> <p>The audit included an unqualified opinion on the Michigan Department of Transportation's financial statements. The audit identified significant deficiencies in internal control over financial reporting. However, it did not consider these significant deficiencies to be material weaknesses. 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>. The audit covered 4 programs as major programs and issued 4 unqualified opinions on the Department's compliance with major federal program requirements. The Department expended a total of \$2.3 billion in federal awards during the two-year period ended September 30, 2008. The audit identified a significant deficiency in internal control over federal program compliance. However, it did not consider this significant deficiency to be a material weakness. The audit identified instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133. The audit determined that the Department was in substantial compliance with Sections 18.1483 - 18.1487 of the <i>Michigan Compiled Laws</i>.</p> | Single       | 8               | 0        |
| 591-0180-07    | <p>Bureau of Passenger Transportation</p> <p>The audit concluded that the Bureau of Passenger Transportation's efforts in monitoring the activities of public transportation providers as permitted or required by State and federal laws and regulations were moderately effective. It noted three reportable conditions. The audit also concluded that the Bureau's efforts in establishing and monitoring its goals and objectives were moderately effective. It noted one reportable condition. In addition, the audit concluded that the Bureau's efforts in distributing grant funds to public transportation providers and in leasing buses to intercity service providers were effective and efficient.</p>  | Performance  | 4               | 0        |
| 271-0245-08    | <p><b>TREASURY, DEPARTMENT OF</b><br/>Principal Residence Exemption Program</p> <p>The audit concluded that the Department of Treasury was effective in its efforts to identify and to audit questionable principal residence exemptions in counties that have elected to have the State perform these compliance audits. However, it noted one reportable condition. The audit also concluded that the Department was moderately effective in its efforts to assist and to monitor counties that have elected to perform principal residence exemption compliance audits. It noted three reportable conditions.</p>   | Performance  | 4               | 0        |

| Project Number | Report Title  | Project Type | Recommendations |          |
|----------------|---|--------------|-----------------|----------|
|                |   |              | New             | Repeated |
| 271-0265-08    | <p>Commercial Mobile Radio Service Emergency Telephone Fund, Department of Treasury and Michigan Department of State Police - R</p> <p>The audit included an unqualified opinion on the Commercial Mobile Radio Service Emergency Telephone Fund's financial schedules. The audit identified a significant deficiency in internal control over financial reporting. However, it did not consider this significant deficiency to be a material weakness. The audit 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>.</p> | Financial    | 1               | 0        |
| 271-0283-09    | <p>Michigan Education Trust Plan D (A Discretely Presented Component Unit of the State of Michigan) - R</p> <p>The audit included an unqualified opinion on the Michigan Education Trust Plan D financial statements. The audit did not report any findings related to internal control over financial reporting. 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               | 0        |
| 271-0284-09    | <p>Michigan Education Trust Plans B and C (A Discretely Presented Component Unit of the State of Michigan) - R</p> <p>The audit included an unqualified opinion on the Michigan Education Trust Plans B and C financial statements. The audit did not report any findings related to internal control over financial reporting. 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               | 0        |
| 271-0285-09    | <p>Michigan Tobacco Settlement Finance Authority (A Blended Component Unit of the State of Michigan)</p> <p>The audit included an unqualified opinion on the Michigan Tobacco Settlement Finance Authority's financial statements. The audit did not report any findings related to internal control over financial reporting. 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               | 0        |

| Project Number                   | Report Title   | Project Type | Recommendations |          |
|----------------------------------|--|--------------|-----------------|----------|
|                                  |  |              | New             | Repeated |
| 271-0400-09                      | <p>Michigan Strategic Fund (A Discretely Presented Component Unit of the State of Michigan) - R</p> <p>The audit included an unqualified opinion on the Michigan Strategic Fund's financial statements. The audit identified significant deficiencies in internal control over financial reporting. However, it did not consider these significant deficiencies to be material weaknesses. 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>. The audit covered one program as a major program and issued an unqualified opinion on the Fund's compliance with major federal program requirements. The Fund expended a total of \$88.0 million in federal awards during the two-year period ended September 30, 2008. The audit identified a significant deficiency in internal control over federal program compliance. However, it did not consider this significant deficiency to be a material weakness. The audit identified an instance of noncompliance that is required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133.</p> | Single       | 4               | 0        |
| 271-0405-09                      | <p>Michigan Economic Development Corporation (A Discretely Presented Component Unit of the State of Michigan) - R</p> <p>The audit included an unqualified opinion on the Michigan Economic Development Corporation's financial statements. The audit identified a significant deficiency in internal control over financial reporting. However, it did not consider the significant deficiency to be a material weakness. 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>. The audit covered one program as a major program and issued an unqualified opinion on the Corporation's compliance with major federal program requirements. The Corporation expended a total of \$2.7 million in federal awards during the two-year period ended September 30, 2008. The audit did not report any findings related to internal control over federal program compliance. The audit did not identify any instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133.</p>                               | Single       | 1               | 0        |
| <b>UNIVERSITIES AND COLLEGES</b> |  |              |                 |          |
| 032-0650-06                      | <p>Michigan Technical Education Centers</p> <p>The audit concluded that community colleges' efforts were effective in evaluating Michigan Technical Education Centers' (M-TECs') needs to provide occupational training for high-wage, high-skill, and high-demand occupations. The audit also concluded that community colleges' efforts were effective in developing and implementing occupational training programs. However, it could not determine what</p>   | Performance  | 5               | 0        |

| Project Number | Report Title   | Project Type | Recommendations |          |
|----------------|--|--------------|-----------------|----------|
|                |  |              | New             | Repeated |
|                | <p>effect the programs had in providing viable and sustainable employment. It noted one reportable condition. In addition, the audit concluded that community colleges' efforts were moderately effective in providing proposed activities and fulfilling selected M-TEC grant requirements. It noted one reportable condition. The audit further concluded that the Department of Labor and Economic Growth's efforts were moderately effective in evaluating M-TECs. It noted three reportable conditions.</p> |              |                 |          |
| 032-0651-07    | <p>Developmental Education at Michigan Public Community Colleges</p> <p>The audit concluded that Michigan public community colleges' efforts to promote an understanding of college readiness expectations and communicate them to high school administrators and students were moderately effective. It noted one reportable condition. The audit analyzed and provided data regarding developmental education at Michigan public community colleges. It included 2 observations and 12 exhibits.</p>           | Performance  | 1               | 0        |
|                |  |              | 195             | 63       |







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