

Directory

Thomas H. McTavish, C.P.A. Auditor General
James S. Neubecker, C.P.A., C.I.A. Deputy Auditor General
Michael J. Mayhew, C.P.A. Director of Audit Operations
Linda L. Hagan, C.P.A. Director of Administration
George L. Naylor, C.P.A., C.I.S.A. Chief Information Officer
Jon A. Wise, C.P.A. Director of Professional Practice

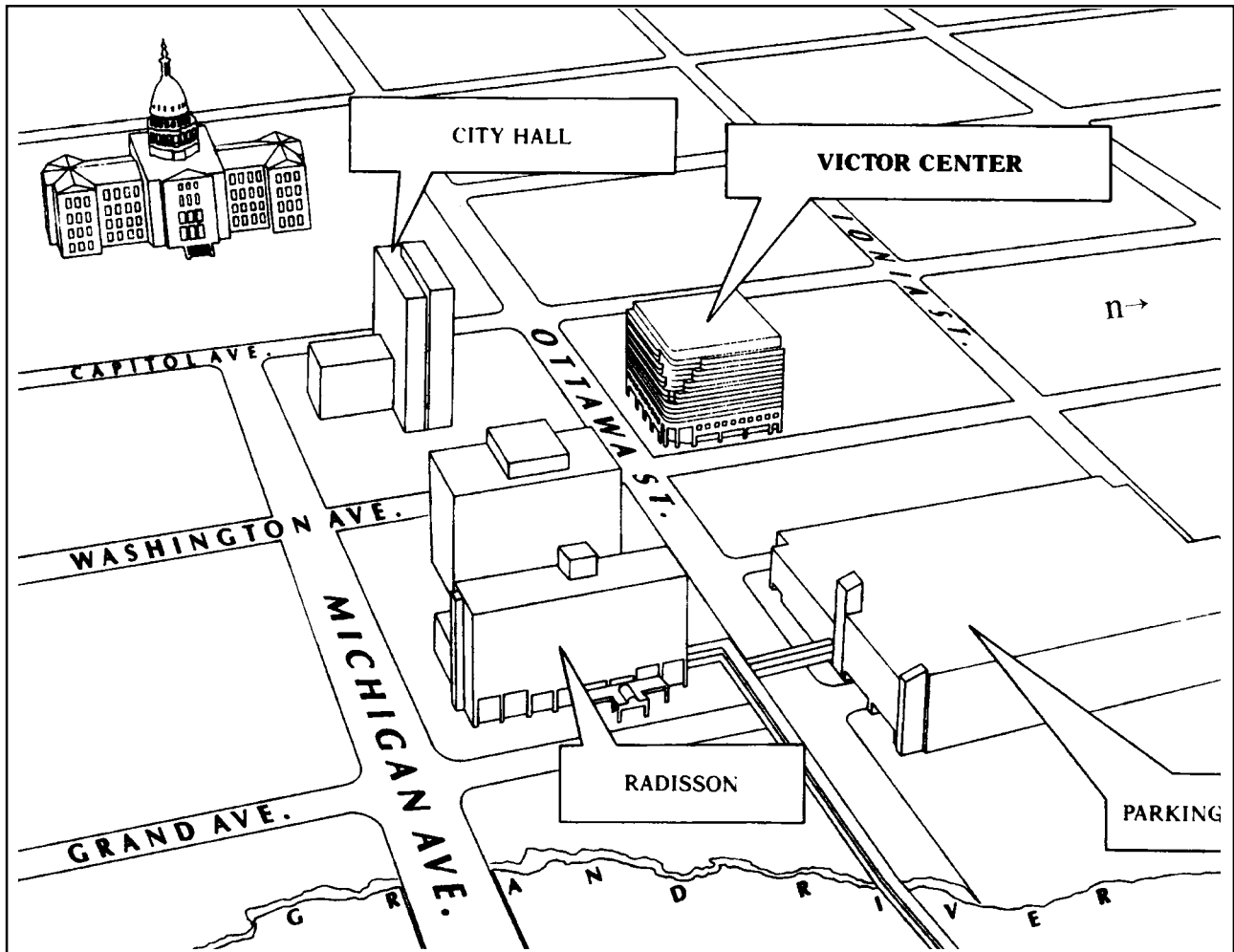
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Office of the Auditor General
Victor Center, Sixth Floor
201 N. Washington Square
Lansing, Michigan 48913

Where We Are Located





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

September 30, 1998

The Honorable John M. Engler, Governor of Michigan
The Honorable Richard Posthumus, Senate Majority Leader
The Honorable Curtis Hertel, Speaker of the House
The Honorable John D. Cherry, Jr., Senate Minority Leader
The Honorable Kenneth R. Sikkema, House Minority Leader
and
Members of the 89th 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, 1998 and is submitted in accordance with Article 4, Section 53 of the State Constitution.

The Office of the Auditor General has the responsibility, as stated in Article 4, 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.

In conformance with the State Constitution and the *Michigan Compiled Laws*, we have established our mission to improve the accountability for public funds and to improve the operations of State government for the benefit of the citizens of the State of Michigan. We serve the public interest by providing members of the Legislature and other policymakers with accurate information, unbiased analyses, and objective recommendations on how to best use public resources. We fulfill our mission by adhering to the professional standards and the principles of integrity, objectivity, independence, and due care and by conscientiously carrying out our audit responsibilities.

In addition to fulfilling our audit mission and responsibilities, we have focused our efforts on maximizing the quality of our services and on improving communication and strengthening our working relationship with the Legislature, the agencies that we audit, and the citizens of the State of Michigan. This focus has resulted in implementing a continuous quality improvement process within our office consisting of a commitment to continuous improvement, the use of valid measurements to track our progress, and the use of appropriate teams to facilitate improvements and form ongoing partnerships

to promote quality in service delivery. Through our commitment to quality, we can continually achieve organizational, procedural, and individual improvement which will result in providing quality audit services and reports.

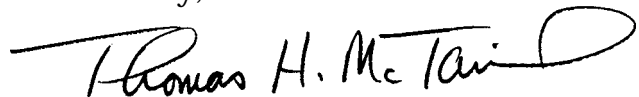
With the State's increased use of information technology to manage and control its programs and resources, we also continue to increase our use of information technology. Each of our professionals has been provided with a computer and analytical software, and has been trained to perform analytical audit procedures. By remaining on the leading edge of technological advances, we have improved our audit capabilities and have the ability to readily access and audit State program and financial information.

During this fiscal year, we took full advantage of the State of Michigan's wide area network, better known as LMAN (Lansing Metropolitan Area Network). LMAN connects the State agencies located in both the greater Lansing metropolitan area and outstate. Through the agency network connection and LMAN, our audit staff at remote audit sites are now connected to our network for easy transfer of information.

Our Internet web site has been extended to include our complete audit reports. To date, over 1,200 copies of audit reports have been downloaded or accessed by Internet users. Our web site also contains general information about the Office of the Auditor General.

The core strength of our office continues to be the quality of our staff. Despite strong competition from the private sector, retirements, and increased demand for trained professionals throughout State government, we have been successful in employing and retaining 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 our being able to achieve this commitment are the competency and professionalism of our staff.

Sincerely,

A handwritten signature in black ink that reads "Thomas H. McTavish". The signature is fluid and cursive, with a large, sweeping flourish at the end.

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

The Office of the Auditor General, established by the State Constitution within the legislative branch of State government, is responsible for conducting financial and performance audits of State government operations. The resulting audit reports provide a continuing flow of information to assist the Legislature in its oversight of State government; to provide citizens with a measure of accountability; and to assist State departments and agencies in improving the financial management and the effectiveness, efficiency, and economy of the activities and programs approved by the Legislature.

Organization

The Office of the Auditor General is organizationally divided into four areas of responsibility. The largest area, the Bureau of Audit Operations, is responsible for planning and conducting audits and reporting audit results. The three other areas, the Office of Professional Practice, the Office of Information Technology, and the Office of Administration, provide support services.

Within these four organizational areas, continuous quality improvement initiatives are underway. The Office is formalizing feedback channels with our customers, including all branches of government and the public; establishing goals for improvements; developing and monitoring relevant quality measures; and implementing improvements in our processes and products.

Audit Activities

During fiscal year 1997-98, the Office of the Auditor General completed 87 audits and contracted for 22 additional audits. Our audit reports contained 393 recommendations to improve State government financial management and operations. In addition, in accordance with professional standards, we orally communicated many other recommendations of a lesser nature to State managers and administrators during our audits. Conservatively estimated, our recommendations over the past five years, if implemented, could have resulted in an average annual savings to the State of Michigan of approximately \$24.4 million, or a total of \$122 million.

Significant Findings

Although the number and magnitude of the findings varied considerably from audit to audit, several audit reports contained findings with significant impact on government operations.

SOMCAFR Audit

Our audit of the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*, which was conducted simultaneously with the Statewide year-end closing process, included findings which resulted in \$424 million of adjustments to the financial statements and schedules in that report. The most significant adjustments included:

- Increasing accounts payable and expenditures by \$10 million in the General Fund related to the Family Independence Agency's foster care payroll.
- Decreasing current assets and revenue by \$13.6 million in the General Fund related to the Family Independence Agency's State ward charge-back program.

-
- Decreasing accounts payable and increasing miscellaneous revenue by \$9.7 million in the School Aid Fund and by \$11.4 million in the General Fund related to “hold harmless” payments to local tax increment finance authorities.
 - Adjusting operating transfers between the State Trunkline Fund and the Combined State Trunkline Fund Bond Proceeds Fund by \$16.8 million.
 - Adjusting operating transfers between the Michigan Natural Resources Trust Fund and the Michigan State Parks Endowment Fund by \$10 million.

Other Financial and Financial Related Audits

During the fiscal year, we completed 11 other financial audits and 5 financial related audits. The following are highlights from some of these audits:

- The 36th District Court had not established an effective internal control structure to ensure that it received, properly accounted for, and accurately distributed the revenue remitted by the Department of Treasury for collections made on Court assigned accounts.
- The Department of Treasury’s fiscal year-end closing process, coordinated with the Department of Management and Budget’s (DMB’s) Office of Financial Management, did not ensure that all reconciling items identified in the Department of Treasury’s year-end cash reconciliation were properly recorded. As a result, the State Treasurer’s Common Cash pool was overstated.

Performance Audits

During this fiscal year, we completed 55 performance audits. The following are highlights of findings that, if corrected, would improve the effectiveness, efficiency, and economy of State government operations:

- In our audit of Oil and Natural Gas Production Reporting, we noted that the State had not coordinated the roles of the departments involved in regulating and collecting taxes and royalties from the oil and gas industry. Oil and gas producers separately report to four different departments that maintain their own data bases with little sharing of reported information. Also, controls over State oil and mineral rights leasing, royalty payments due the State, and severance tax and surveillance fee payments were not effective.
- In our audit of the Air Quality Division, Department of Environmental Quality, we noted that the Division needed to improve the timeliness of its enforcement activities and resolution of violations as well as the effectiveness of its complaint investigation process. The Division took an average of 525 days to complete corrective action on noted violations included in our test. The Division also did not always document the disposition of complaints, resolve complaints in a timely manner, or inform complainants of the results of its investigations as requested.

- In our audit of the Request for Proposal for the Southeast Michigan Comprehensive Health Care Program, Department of Community Health (DCH) and DMB, we noted that DCH and DMB announced the highest acceptable price prior to accepting bids for the health care program. This removed the competitive feature typical to the request for proposal process and resulted in increased cost because most health plans submitted bids at the highest acceptable price.
- In our audit of the DMB Property Management Division (PMD), we noted that PMD did not have a comprehensive system for maintaining and repairing State buildings, parking ramps and surfaces, and their mechanical and electrical systems. We noted several instances in which a lack of preventative maintenance resulted in premature deterioration of State assets.
- In our audit of the Children's Protective Services Program, Family Independence Agency, we noted that the Program was not effective in investigating and substantiating referred cases of child abuse and/or neglect. As a result, children remained at risk. Complaints were routinely rejected without an investigation. Also, 17.7% of the investigations that were commenced were not commenced within the required time period. In addition, investigations of cases with considerable evidence of child abuse and/or neglect were frequently not complete.
- In our audit of the Reporting of Driver License Points and the Collection and Disposition of Fines and Fees, we noted that the master driver records did not contain a significant percentage of Motor Vehicle Code convictions and related license suspensions. One circuit court had not submitted any felony convictions in over a year. Other convictions were not posted to the master driver records in a timely manner. The audit also noted six courts that collected payments on traffic violations and did not refund the payments when the case was dismissed.

Human Resources

During fiscal year 1997-98, the Office of the Auditor General continued its commitment to professionalism and leadership in the field of State governmental auditing. The 152-member professional audit staff, which included 76 certified public accountants, 8 certified internal auditors, 10 certified information systems auditors, and 2 certified management accountants, attended in-house professional development programs which focused on electronic working papers, writing audit findings, developing and writing effective audit reports, conducting and managing performance audits, team building, supervisory skills, and other topics relevant to our profession. We responded to technical discussion memorandums, exposure drafts, and issue papers of various national professional organizations. In addition, staff members actively participated as officers, board members, and committee members of local, State, and national accounting and auditing organizations.

Conclusion

The Office of the Auditor General continually strives to assist the Legislature in performing its oversight function and to improve the financial management and operations of State departments and agencies.

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Auditors General of Michigan

HISTORICAL LISTING

Thomas H. McTavish, C.P.A.	1989 -
Charles S. Jones, C.P.A. (acting)	1989-1989
Franklin C. Pinkelman, C.P.A.	1982-1989
Albert Lee, C.P.A.	1965-1982
Allison Green (acting)	1965-1965
Billie S. Farnum	1961-1964
Otis M. Smith	1959-1961
Frank S. Szymanski	1956-1959
Victor Targonski	1955-1956
John B. Martin, Jr.	1951-1954
Murl K. Aten	1947-1950
John D. Morrison, C.P.A.	1945-1946
Vernon J. Brown	1939-1944
George T. Gundry	1937-1938
John J. O'Hara	1935-1936
John K. Stack, Jr.	1933-1935
Oramel B. Fuller	1909-1932
James B. Bradley	1905-1908
Perry F. Powers	1901-1904
Roscoe D. Dix	1897-1900
Stanley W. Turner	1893-1896
George W. Stone	1891-1892
Henry H. Aplin	1887-1890
William C. Stevens	1883-1886
W. Irving Latimer	1879-1882
Ralph Ely	1875-1878
William Humphrey	1867-1874
Emil Anneke	1863-1866
Langford G. Berry	1861-1862
Daniel L. Case	1859-1860
Whitney Jones	1855-1858
John Zwegles, Jr.	1851-1854
John J. Adams	1848-1850
Digby V. Bell	1846-1848
John J. Adams	1845-1846
Charles G. Hammond	1842-1845
Henry L. Whipple	1842-1842
Alpheus Felch	1842-1842
Erotus P. Hastings	1840-1842
Henry Howard	1839-1840
Robert Abbott	1836-1839

Mission and Overview

Mission

The mission of the Office of the Auditor General (OAG) is to improve the accountability for public funds and to improve the operations of State government for the benefit of the citizens of the State of Michigan. The OAG best accomplishes its mission by committing to total quality; by adhering to the professional standards of the auditing profession; and by promoting an atmosphere of mutual trust, honesty, and integrity among OAG staff and the people they serve.

...to improve the accountability for public funds and to improve the operations of State government...

Responsibility

The OAG has the responsibility, as stated in Article 4, 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.

Government officials and employees are accountable to the citizens of the State of Michigan for the proper handling of public funds and are responsible for managing State resources effectively, efficiently, and economically. OAG audit reports provide a continuing flow of information to assist the Legislature in its oversight of approximately 120 individual State funds and an annual budget of over \$30 billion. OAG audit reports also provide citizens with a measure of accountability and assist department administrators by providing an independent and objective evaluation of their operations. The OAG's overall goal is to improve accounting and financial reporting practices and to promote effectiveness, efficiency, and economy in State government.

...to assist the Legislature in its oversight of approximately 120 individual State funds and an annual budget of over \$30 billion.

Audit activities are performed in accordance with generally accepted auditing standards of the American Institute of Certified Public Accountants and *Government Auditing Standards* issued by the Comptroller General of the United States.

Organization and Operation of the OAG

The OAG is under the direction and control of the Auditor General, Thomas H. McTavish. Mr. McTavish is the principal executive and has ultimate responsibility for OAG policies and practices.



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

As provided in the State Constitution, a Deputy Auditor General may be appointed by the Auditor General to act as his principal aide in carrying out both the audit activities and management responsibilities of the OAG. The Auditor General appointed James S. Neubecker as Deputy Auditor General.



James S. Neubecker, C.P.A.
Deputy Auditor General

The OAG is organizationally divided into four areas of responsibility:

- The Bureau of Audit Operations is responsible for conducting post financial and performance audits of the State of Michigan's executive, legislative, and judicial branches of government, including its universities and community colleges. The Bureau also performs specific reviews in response to legislative requests. In addition, the Bureau participates in joint National State Auditors Association audits with other states' audit agencies.
- The Office of Professional Practice is responsible for performing quality assurance reviews of audit reports and working papers, editing the audit reports, and conducting accounting and auditing research.
- The Office of Information Technology is responsible for managing the OAG local area network, maintaining the management information system, and providing microcomputer support and software assistance to all OAG staff.
- The Office of Administration is responsible for human resource management, accounting and budgeting, audit report production, officewide printing, purchasing, and clerical support.

A chart depicting this organizational structure is presented on page 7.

At the close of the fiscal year, there were 152 employees on our professional audit staff and 17 technical and clerical employees.

The OAG is organizationally divided into one bureau and three offices.

Continuous Quality Improvement Efforts

OAG management has developed quality improvement goals to focus our efforts on providing timely and relevant audit services and reports.

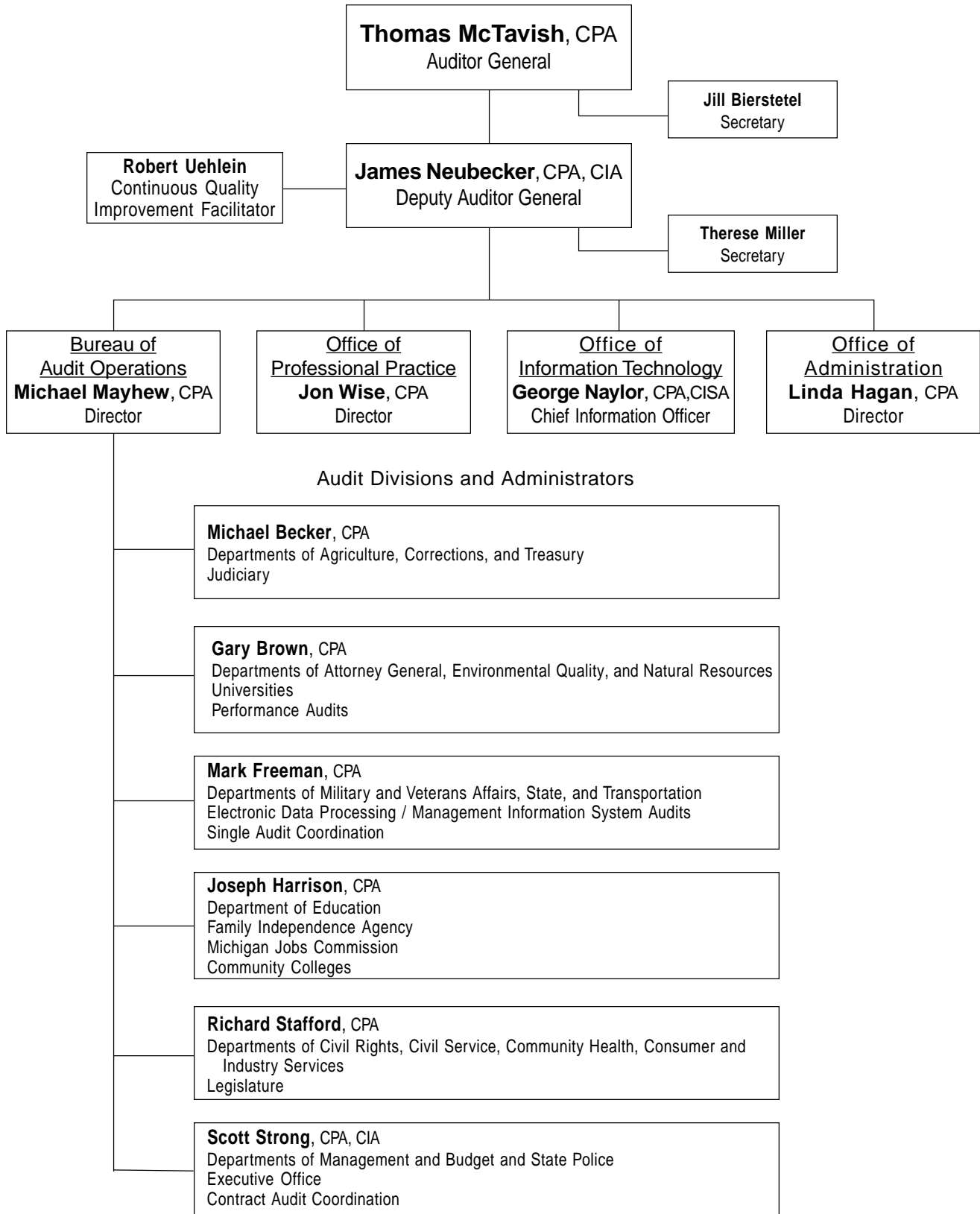
In prior years, with the assistance of a consultant, the OAG identified areas in which our quality system could be enhanced. The Auditor General appointed a Strategic Quality Planning Committee and a Continuous Quality Improvement Facilitator. They have assisted in OAG management's development of quality improvement goals to focus our efforts on providing timely and relevant audit services and reports. Measures to monitor progress in meeting these goals were also developed. An initiative to improve teamwork was begun this year. We completed our revision of Bureau of Audit Operations goals and objectives. We have continued our initiatives to improve employee evaluation processes; to improve the quality of our audit services and reports, including staff development and training; to improve our Single Audit approach; and to enhance computer hardware and software for all professional staff.

Each of the sections within the OAG has developed improvement goals and objectives and performance measurement indicators. Monitoring progress in meeting these goals has identified areas needing further enhancement. We are committed to our continuous quality initiatives as we strive for further improvements in the coming year.



Robert K. Uehlein, Continuous
Quality Improvement Facilitator

Organizational Structure



Office of the Auditor General Employees

201 N. Washington Square
Lansing, Michigan 48913

(517) 334-8050
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A., AUDITOR GENERAL
Jill A. Bierstetel, Secretary

James S. Neubecker, C.P.A., C.I.A., Deputy Auditor General
Therese M. Miller, Secretary

Robert K. Uehlein, Continuous Quality Improvement Facilitator

AUDIT OPERATIONS

Michael J. Mayhew, C.P.A., Director

Assistant to the Director of Audit Operations

Calvin L. Kladder, C.I.A.

Audit Division Administrators

Michael R. Becker, C.P.A.

Joseph W. Harrison, C.P.A.

Gary E. Brown, C.P.A.

Richard A. Stafford, C.P.A.

Mark A. Freeman, C.P.A.

Scott M. Strong, C.P.A., C.I.A.

Audit Managers

Steven J. Baker, C.P.A., C.I.S.A.

Assists Mr. Freeman

James W. Bellinger, C.P.A.

Assists Mr. Harrison

Sharon L. Gipson, C.P.A.

Assists Mr. Stafford

Therese A. Regner, C.P.A.

Assists Mr. Strong

Raymond J. Vernellis

Assists Mr. Becker

James K. Vogel, C.P.A.

Assists Mr. Brown

Principal Audit Supervisors

Donna L. Ackley, C.P.A.
Thomas J. Beuerle, C.P.A.
Nicholas de Wolf

Lynn R. Green, C.P.A.
Gerald L. Olson

Senior Audit Supervisors

Richard T. Aapala
John T. Cotter, Jr., C.P.A.
Gary A. Curtis
Susan M. Curtis, C.P.A.
Nancy L. Gifford, C.P.A.
Steven R. Koschay, C.P.A.
Elden N. Lamb
Michael E. Lauer
Jackie S. Lawson, C.P.A.
Jane E. Laycock, C.P.A.

Michael W. Laycock
Sid V. Lundquist
Craig M. Murray, C.P.A., C.I.A.
Larry R. Quintel, C.P.A.
Doug A. Ringler, C.P.A.
Melissa A. Schuiling, C.P.A., C.I.S.A.
Gerald A. Schwandt
Kevin L. Warner, C.P.A., C.I.S.A.
Richard J. Weller, C.P.A.
Ronald A. Yarsevich, C.P.A.

Audit Supervisors

Gary J. Bacigal
Kevin C. Baker, C.P.A.
Karen J. Bosworth, C.P.A.
William L. Harper
Scot E. Hazel
Elmer R. Hess, Jr.
Laura J. Hirst, C.P.A.
Mary L. Lowe, C.P.A.

Lawrence J. McCliment, C.P.A.
Erica L. Morris, C.P.A., C.I.S.A.
Amy J. Parker, C.P.A.
Lisa L. Pratt, C.P.A.
Susan H. Rosenbaum
Robert E. Traub
Jeffrey L. Zemke

Mission and Overview

Senior Auditors

Alvin D. Bonds
Cheryl A. Bungart, C.P.A., C.I.A.
Marilyn S. Carey, C.P.A.
Sherri L. Forbes
Michael T. Gardner, C.P.A.
Mary G. Gasper, C.P.A., C.I.A.
Hilary J. Goerge
Melinda S. Hamilton
Julius Hampton, Jr.
Amy L. Henderson, C.P.A.
Beau A. Hill, C.P.A.

Brian C. Hovey
Tracy L. Jelneck, C.P.A.
James A. Maleski, C.P.A.
Frank A. Natschke, C.P.A.
Thomas D. Ongstad
Kathy J. Schroeder, C.P.A.
Gregory J. Schroll, C.P.A.
Silhouette T. Street
Julie L. Trierweiler
Richard J. Ulander
Margo A. Yaklin, C.P.A., C.M.A.

Staff Auditors

Anthony A. Alvord
Manisha K. Balani
Kristine L. Ball
Kevin D. Bashore
Jamie R. Beauchamp, C.P.A.
Yvonne L. Benn
Monica K. Benton, C.P.A.
Kelly M. Bernath
James A. Berridge
Kelly L. Blessing
Carri A. Brege
Michael R. Christmas
Christine L. Covell
Diane L. DeLuca
Julie A. Dexter
Maureen C. Eardley
Michele M. Elms
Shelly M. Fanson, C.P.A.
Lora J. Grant
Samuel H. Gustafson
Daphne Y. Hobson
Laura M. Ingalls
Daniel T. Jaroche, C.P.A.
Brian K. Kent, C.P.A.

Charles R. Kern, II
Jennifer M. Lopez
Cheryl A. Manning
Timothy L. Martin
Mary Kay Mays
Amy M. McGreaham
Susan D. Morway
Lori S. Mullins
Carol A. O'Callaghan, C.P.A.
Phong H. Pham
Pamela J. Platter
Stephanie S. Roach
Vincent J. Schira
Eileen M. Schneider
Nancy Jo Serna, C.P.A.
Robert A. Simon
Duane L. Smiley
Sandra L. Streb
Jill E. Theryoung
Michael J. Ventura
Bryan W. Weiler
Rhonda D. Williams
John G. Wirth, C.P.A.
Rod A. Wlock

PROFESSIONAL PRACTICE

Jon A. Wise, C.P.A., Director

Quality Assurance

John J. Thrush, C.P.A., Assistant
Director of Professional Practice
Cindy L. Grover, C.P.A.
Sherri E. Washabaugh, C.P.A., C.I.S.A.
Mary A. Waterhouse, C.P.A.

Audit Report Review

Julie E. B. Chamberlain, C.P.A., Editor
David L. Glynn, Assistant Editor
Michael B. Amspaugh, C.P.A., C.I.A., C.M.A.
Kelly L. Bengel, C.P.A.

Research and Professional Standards

Mary Jo Koschay, C.P.A.

INFORMATION TECHNOLOGY

George L. Naylor, C.P.A., C.I.S.A., Chief Information Officer

Software Assistance Section

Brad A. Jarvis, C.I.S.A., Assistant Chief
Information Officer
David E. Batz, C.P.A., C.I.S.A.
Laura A. DeMember
Beth A. Larson, C.P.A.

Rodney W. Markowski, C.P.A.
Andrew A. Mitchell
Dorothy E. Smith, C.P.A.
Elizabeth A. Torres

Local Area Network, Management Information System (MIS), and Microcomputer Support Section

Kimberly E. Jacobs, C.P.A., C.I.S.A., C.N.E., Supervisor
Gabriele E. Brazee
Edward R. Kodish
Thomas D. Mason
Jeffrey J. Mikula

ADMINISTRATION

Linda L. Hagan, C.P.A., Director

Human Resources

Paul J. Green, C.P.A., C.I.A., C.I.S.A.
Assistant Director of Administration
Marilyn K. Tarrant, C.P.A., Professional
Development Coordinator

Administrative Information Services

Michael E. Mrazek
Dennis J. Strzalkowski

Payroll/MIS Input Unit

Theresa M. Fedewa

Clerical Support

Mary Jo Baker, Supervisor
Amanda A. Feldpausch
Donna J. Glowacki
Jarita E. Qawwee
Dawn L. Keilen
Mary Kay Smith
Nicole L. Smith

Office Services

John T. Odell, Supervisor
Rick L. Ettinger
Tok Cha Odell

Types of Audits Performed by the OAG

Financial Audits

Financial audits, which include financial statement and financial related audits, are designed to provide reasonable assurance about whether the financial statements (or schedules) of an audited entity are fairly presented in conformity with generally accepted accounting principles. Other projects which support the financial audits, including facility closing reviews and follow-up reviews of material financial audit findings, may be classified as financial related audits.

Single Audits

Single Audits, which are financial audits performed in accordance with the Single Audit Act of 1984, are designed to meet the needs of all federal grantor agencies and other financial report users. Single Audits are financial audits which require additional study and evaluation of the internal control structure and testing of compliance with laws and regulations relevant to federal assistance programs.

Performance Audits

Performance audits, which include economy and efficiency and program audits, are designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve operational effectiveness and efficiency, to provide public accountability, and to facilitate decision making by parties responsible for overseeing or initiating corrective action. Follow-up reviews of material performance audit findings are also classified as performance audits.

Various types of audits complement each other.

Professional Standards

OAG audits are performed in accordance with the following professional standards:

- Generally accepted auditing standards of the American Institute of Certified Public Accountants
- *Government Auditing Standards* issued by the Comptroller General of the United States
- The Single Audit Act of 1984 and its implementing regulations, as amended

Professional standards are strictly adhered to.

Value of 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. OAG reports contained nearly 400 recommendations that identified opportunities for improving effectiveness and efficiency in State operations and provided information needed by the Legislature to make decisions regarding the continuation of programs and levels of funding.

Information from audit reports can be used in making informed decisions.

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.

Many third party readers, including investors and creditors, and the citizens of Michigan use OAG audit reports.

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.

How and To Whom Audit Reports Are Issued

Audit report release process ensures broad distribution.

Approximately five days before the official release date of the audit report, the audited entity receives a copy of the audit report. This enables the entity to be prepared for any questions people may have regarding the audit. The audit report is typically addressed to the audited entity's chief executive officer and/or the chair of the board or commission. In addition, copies of the report are routinely sent to the following:

- Relevant House and Senate Appropriations Committee(s)
- Relevant House and Senate Standing Committee(s)
- Audited department and subunits, as may be required
- Governor's Office

-
- Office of Financial Management, Department of Management and Budget
 - House and Senate Fiscal Agencies
 - Anyone who has specifically requested the particular audit report

Although a copy of each audit report is sent to the Capitol press room, the OAG does not issue press releases on any audit reports.

OAG Contact With the Legislature

The audit report is the formal written contact that the OAG has with the Legislature. The OAG routinely provides legislative briefings to key members of oversight and appropriations committees and other members of the Legislature who have expressed a particular interest in specific topics or audit reports.

In the past, several of the audit report briefings have resulted in legislators requesting OAG staff to testify at hearings on the audit report itself.

The Auditor General also testifies periodically on audit-related activities, as requested by the Legislature.

Reaction and Response to an Audit Report

Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget (DMB) Administrative Guide procedure 1280.02 establish requirements for following up audit findings and recommendations for executive branch departments and subunits. The audited departments are required to develop formal responses to OAG audit findings and

Audit reports, briefings, and hearings are the typical ways the OAG works with the Legislature.

Follow-up of OAG audit reports is provided for in law and administrative procedure.

recommendations. This follow-up is in addition to the agency's preliminary response which is included in each OAG audit report.

Audited agencies are required to submit a formal response within 60 days after release of the audit report.

Audited agencies must submit a formal response covering all audit findings and recommendations to the director of the DMB Office of Financial Management within 60 days after release of the audit report, along with a response summary sheet indicating: (1) action completed, (2) recommendations to be complied with, and (3) contested findings and recommendations. Copies are also sent to the DMB Budget Office as well as to the OAG.

Each response must state the agency's agreement or disagreement with the findings and recommendations. If in agreement, the response is to: (1) state the actions taken to address the findings and recommendations and when each action was completed or (2) state what actions will be taken to address the findings and recommendations and when such actions will be completed. If the audited entity is contesting audit findings or recommendations, the entity notes the specific area of disagreement and reason(s) for disagreement.

When the OAG performs an audit of a university or community college, the annual appropriations acts require the principal executive officer of the audited institution to submit a written response to the audit to the House and Senate Fiscal Agencies, the OAG, and DMB. Community colleges are also required to respond to the House and Senate Appropriations Committees and to the Department of Education. The response is due within 60 days after the audit report has been issued and should specify the action taken by the institution regarding the audit report's recommendations.

OAG Follow-Up on Material Findings

Audit reports which contain material findings and recommendations are routinely followed up with a limited scope review approximately six months after the release date of the audit report. In this way, the OAG can review the progress the auditee has made to comply with the recommendations and provide users of the audit report with timely information.

Subsequent Audits

The preparation for subsequent audits begins with a preliminary analysis, which includes reviewing the disposition of prior audit recommendations. The audited entity's official response to the prior OAG audit includes information explaining how it plans to comply with the OAG recommendations. Therefore, the OAG is able to review the status of all of the prior audit recommendations. For most recommendations, compliance will have been satisfactorily achieved. However, when compliance has not been achieved and the facts are substantially the same as before, the OAG will repeat the audit finding and recommendation(s) in the current report.

Material findings and recommendations are routinely followed up approximately six months after the release of the audit report; other findings are followed up during the next scheduled audit of that particular entity.

Audit Operations

The Bureau of Audit Operations is responsible for financial and performance audits of all State operations. The Bureau develops an annual audit plan in which audits are scheduled in accordance with a risk based assessment. Financial audits are scheduled to support the OAG's opinion on the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*, to meet State and federal Single Audit requirements, and to comply with other State mandates. Performance audits are scheduled on a priority basis related to their potential for improving program effectiveness and efficiency.

The Bureau contracts with public accounting firms for some financial audits. Contractual auditors are selected through a competitive bid process, typically for annually required audits of some State authorities. Contracting with these public accounting firms enables the Bureau to avoid excessive peak seasonal work loads, complete the financial audits on a timely basis, and allocate limited professional staff resources to help meet the OAG's increasing demands for performance audits.

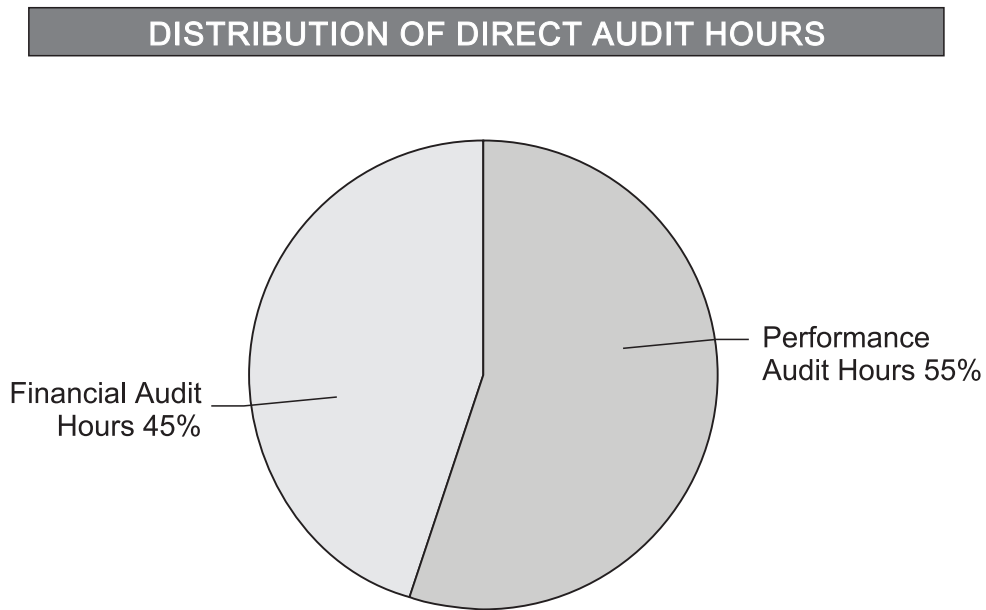


The Bureau of Audit Operations management team, under the direction of Michael Mayhew, regularly meets to discuss all phases of audit operations. The audit division administrators are (left to right) Gary Brown, Mark Freeman, Joseph Harrison, Michael Mayhew (Director), Richard Stafford, Scott Strong, and Michael Becker.

During fiscal year 1997-98, we completed 87 audits (see complete listing starting on page 49) and contracted for 22 additional audits. Our audits were either financial or performance in nature.

In addition to its financial and performance audit staff, the Bureau of Audit Operations has an information systems audit staff that performs audits of the State's information processing centers and automated information systems.

The following graph shows the distribution of direct audit hours used for the different types of audits and reviews in fiscal year 1997-98:



.....

□ Financial Audit Hours 45% -- *SOMCAFR* Audit Hours 10%
Single Audit Hours 28%
Other Financial and Financial Related Audit Hours 7%

FISCAL YEAR 1997 - 98

Financial Audits

Approximately 45% of our direct audit hours were used for financial audits in fiscal year 1997-98.

The OAG conducts three types of financial audits:

1. An annual audit of the entire State entity reported in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*. Approximately 10% of our direct audit hours were used to complete the *SOMCAFR* audit.
2. Biennial audits in conformance with the federal Single Audit Act, of State departments that receive significant federal funding. Approximately 28% of our direct audit hours were used to complete Single Audits.
3. Periodic audits of other departments, funds, and component units. The composition and frequency of the financial audits are generally based upon risk assessments conducted by the OAG, as well as State and federal mandates. Approximately 7% of our direct audit hours were used to complete other financial and financial related audits.

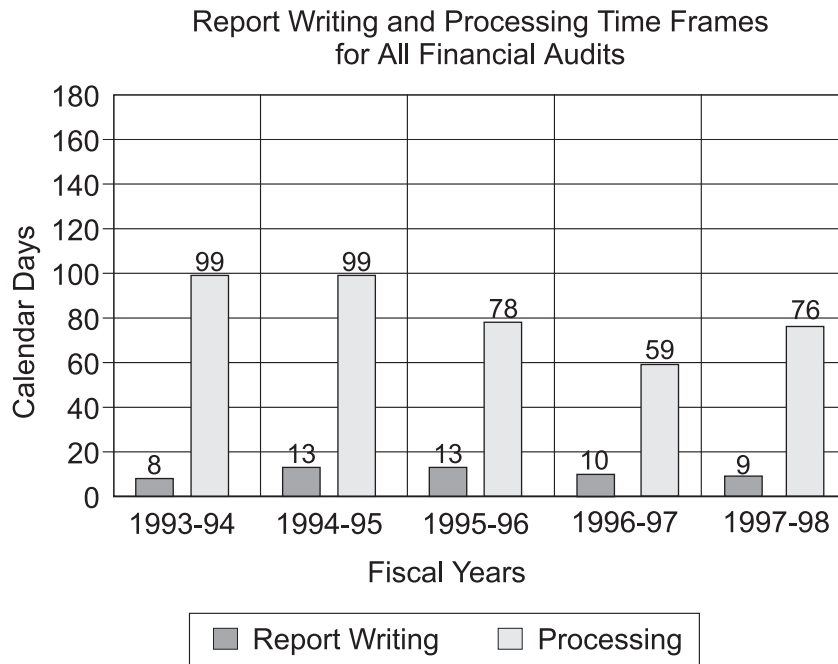
The OAG is committed to reducing the amount of resources used to conduct financial audits while maintaining quality and conformance with standards.

Improving the timeliness of our financial audit reports is a priority.

The OAG is committed to reducing the amount of resources used to conduct financial audits while maintaining high audit quality and conformance with all applicable auditing standards. Increased efficiencies from financial audits will be used to provide the resources for the OAG's increasing demands for performance audits.

The OAG believes that timely issuance of the financial audit reports is important to our customers. The graph below shows how we have improved the timeliness of the writing and processing of our financial audit reports. Over the past five years,

these gains were made through streamlining our report processing procedures, increasing the types of reports we issue on financial audits, and refining the timing of our fieldwork.



Under our continuous quality improvement efforts, we have established goals and related objectives to improve the efficiency and timeliness of our financial audit reports. Our first goal is to reduce the hours spent on each financial audit by an average of 7.5% for the Single Audits and an average of 5% for the other financial audits for each of the next four years. Our second goal is to issue 95% of our financial audit reports within eight months of the covered fiscal year-end.

***Continuous quality
improvement goals***

We reduced the number of hours spent on Single Audits by 9% and on other financial audits by 12% this fiscal year.

We are in the process of further refining our audit approaches for the Single Audits, which should lead to significant reductions in the number of hours spent on these audits in the future.

SOMCAFR Audit

The *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)* is prepared by the Office of Financial Management (OFM), Department of Management and Budget. The *SOMCAFR* includes the general purpose financial statements of the State of Michigan, combining financial statements, supplemental financial schedules, and statistical data. Included in the State's reporting entity are all governmental organizations for which the State is financially accountable.

As required by statute, the OAG annually audits the *SOMCAFR* and issues an independent auditor's report on the State's general purpose financial statements. For the 1996-97 *SOMCAFR*, our independent auditor's report, dated March 2, 1998, included an unqualified opinion. OFM published this year's *SOMCAFR* at the earliest date in almost two decades.

As a part of our *SOMCAFR* audit, which we conducted simultaneously with the Statewide year-end closing process, we notified OFM of 25 audit findings identifying significant accounting and financial reporting exceptions. As a result of our audit, OFM processed adjusting entries in excess of \$233 million. We worked with accountants in other State agencies to correct an additional 13 errors totaling \$191 million.

Significant findings and adjustments associated with our *SOMCAFR* audit included:

1. Increasing accounts payable and expenditures by \$10 million in the General Fund related to the Family Independence Agency's foster care payroll.
2. Decreasing current assets and revenue by \$13.6 million in the General Fund related to the Family Independence Agency's State ward charge-back program.
3. Decreasing accounts payable and increasing miscellaneous revenue by \$9.7 million in the School Aid Fund and by \$11.4 million in the General Fund related to "hold harmless" payments to local tax increment finance authorities.
4. Adjusting operating transfers between the State Trunkline Fund and the Combined State Trunkline Fund Bond Proceeds Fund by \$16.8 million.
5. Adjusting operating transfers between the Michigan Natural Resources Trust Fund and the Michigan State Parks Endowment Fund by \$10 million.

As a result of our audit, OFM and agency accountants processed adjusting entries in excess of \$424 million.

-
6. Increasing reserved fund balance in the Comprehensive Transportation Fund by \$27 million as required by legislation.
 7. Reclassifying revenue received by the Department of Corrections on behalf of prisoners from service revenue to miscellaneous revenue by \$20.6 million.

Single Audits

The federal Single Audit Act of 1984 requires state and local governments receiving \$100,000 or more of federal financial assistance in any fiscal year to have a comprehensive financial audit conducted. In accordance with Michigan statute (Act 251, P.A. 1986), the OAG audits approximately one half of the applicable departments and agencies each year on an alternating biennial audit cycle.

In July 1996, the federal Single Audit Act was amended and the federal Office of Management and Budget rescinded Circular A-128 and expanded and reissued Circular A-133 as the audit requirements for state and local governments. Both the amendments and new Circular were effective for fiscal years beginning after June 30, 1996. Because the State of Michigan conducts biennial audits, the changes will not take effect until we perform Single Audits for the biennial audit period October 1, 1996 through September 30, 1998.

During fiscal year 1997-98, we completed Single Audits of the following departments and agencies:

1. Department of Attorney General
2. Department of Civil Rights
3. Department of Corrections
4. Department of Management and Budget
5. Department of Military and Veterans Affairs
6. Department of State
7. Michigan Department of State Police
8. Michigan Department of Transportation
9. Michigan Jobs Commission
10. State-Funded Judicial Operations

We noted no material weaknesses for the 10 departments and agencies.

Other Financial Audits

In addition to Single Audits of most State departments, we conduct financial audits of those State departments not subject to the Single Audit Act. We also conduct financial audits of certain funds and component units of the State, many of which are mandated by State statutes. Based upon our risk assessments, the audit cycles for financial audits range from annually to every four years.

We conduct financial audits in conformance with *Government Auditing Standards*; therefore, our audit objectives include assessing the internal control structure, assessing compliance with applicable laws and regulations, and auditing the financial statements and/or financial schedules.

During fiscal year 1997-98, we completed the following financial audits:

1. Michigan State Fair and Exposition Center, Department of Consumer and Industry Services
2. School Bond Loan Fund and School Loan Bond Redemption Fund, Department of Treasury
3. Schedules of Section 9945(1)(d) Revenue of the 36th District Court, State of Michigan, and Section 9945(8) Revenue and Expenditures of the Parking Violations Bureau, City of Detroit
4. Michigan Judges Retirement System, Department of Management and Budget
5. Use of Transportation-Related Funding, Department of Management and Budget
6. Information Technology Revolving Fund, Department of Management and Budget
7. State Treasurer's Annual Report - Opinion Letter
8. State Treasurer's Annual Report - Management Letter
9. State Sponsored Group Insurance Fund, Office of the State Employer and Department of Management and Budget
10. School Aid Fund, Department of Education
11. Follow-Up Review of the Michigan Administrative Information Network (MAIN)

Following are highlights from some of our other financial audits:

School Bond Loan Fund and School Loan Bond Redemption Fund

- The School Bond Loan Program Section did not require school districts making loan repayments to submit supporting documentation for the debt fund balances that they reported.

Schedules of Section 9945(1)(d) Revenue of the 36th District Court, State of Michigan, and Section 9945(8) Revenue and Expenditures of the Parking Violations Bureau, City of Detroit

- The Court had not established an effective internal control structure to ensure that it received, properly accounted for, and accurately distributed the revenue remitted by the Department of Treasury for collections made on Court assigned accounts.
- The Court did not notify the Department of Treasury in a timely manner when the Court adjudicated or collected delinquent accounts that it had previously assigned to the Department for collection. In addition, the Department did not notify the Court in a timely manner when it collected accounts assigned to it by the Court. This untimely exchange of information often resulted in duplicate collections, which the Court rarely refunded.
- The Court purged some accounts from its case management system subsequent to assigning them to the Department of Treasury for collection. As a result, the Court could not apply collections on these accounts to the appropriate account and accurately distribute the collections.
- The City of Detroit's Parking Violations Bureau did not identify the collection of all license hold revenue; therefore, it did not always transfer a share to the Court in accordance with the license hold revenue-sharing agreement. In addition, the Court had not implemented procedures to identify drivers who potentially met the revenue-sharing agreement criteria. As a result, the Court did not ensure that it received its share of the revenue collected by the Bureau. Also the Bureau did not transfer the Court's share of all identified license hold revenue on a timely basis.

Information Technology Revolving Fund

- The Fund did not maintain records that documented when fixed assets were placed into service. Also, the Fund did not correct errors in depreciation calculations for some fixed assets.
- The Fund did not ensure that proper authorization was received for the State Building Authority to issue bonds before purchasing equipment. This resulted in the General Fund financing the equipment purchases in fiscal years 1994-95, 1995-96 and 1996-97.
- The Fund did not set rates to ensure that revenues equaled or exceeded expenses. For two fiscal years of the audit period, the rates resulted in operating revenues totaling less than the total operating expenses, which include operating cost, administrative cost and depreciation expenses. The operating losses contributed to the Fund's negative cash flow.

State Treasurer's Annual Report

- The Department of Treasury's fiscal year-end closing process, coordinated with the Department of Management and Budget's Office of Financial Management, did not ensure that all reconciling items identified in the Department of Treasury's year-end cash reconciliation were properly recorded. As a result, the State Treasurer's Common Cash pool was overstated.

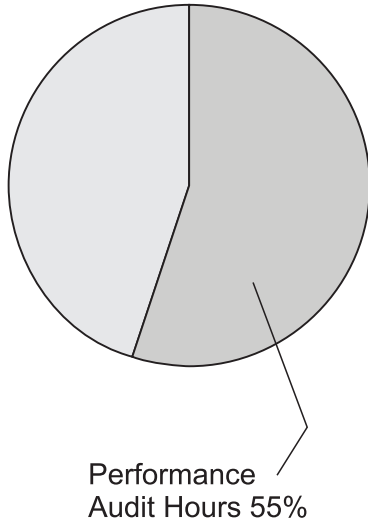
Financial Related Audits

We also conduct financial related audits with the objective of evaluating a portion of the State's internal control structure related to financial reporting, accounting, and/or controlling assets. Typically, these are audits of data processing systems and/or centers that deal exclusively with information ultimately reported in financial statement/schedule assertions. These audits are done on different schedules than financial audits, which they support, under our coordinated approach to assessing the internal control structure.

During fiscal year 1997-98, we completed the following financial related audits:

1. Department of Military and Veterans Affairs
 2. Closing Review of Clinton Valley Center, Department of Community Health
 3. Closing Review of Detroit Psychiatric Institute, Department of Community Health
 4. Review of Constitutional Revenue Cap, Department of Management and Budget
 5. Review of Section 30 Expenditure Limitation Report, Department of Management and Budget
-

Performance Audits



Approximately 55% of our direct audit hours were used for performance audits in fiscal year 1997-98. For purposes of this annual report, we have also included in this category three mandated audits with only compliance objectives.

Performance audits are conducted on a priority basis related to the potential for improving State government operations. Our primary objective for conducting performance audits is to improve the effectiveness, efficiency, and economy of State government operations. Effectiveness is producing the outcome desired by the citizens of Michigan and mandated by the Legislature, efficiency is a measure of useful services delivered compared with the resources applied, and economy is the prudent use of resources.

Our performance audits found that State departments, agencies, and programs generally operated in an effective, efficient, and economical manner. However, our audits resulted in numerous recommendations for further improving the programs audited.

The OAG has established several goals which relate specifically to our performance audit efforts. Our first goal is to increase performance audit hours as a percent of our total audit hours through increased efficiency in our financial audits. The OAG expects the economic impact from all of our performance audit findings to exceed the cost of the audits by at least ten times (1,000%). We also have goals for improving the timeliness of the performance audits and for addressing performance audit issues which are of interest to members of the Legislature and Michigan residents.

Our increased efficiency in the financial audits allowed us to increase the percentage of hours used on performance audits. In fiscal year 1997-98, we used 55% of total audit hours for performance audits. This was more than the 52% we spent on performance audits during fiscal year 1996-97 and considerably more than the 45% we spent during fiscal year 1995-96.

Continuous quality improvement goals

Following are highlights from some of our performance audits:

Forensic Science Division (FSD), Michigan Department of State Police

Substantial amounts of forensic laboratory fees were not assessed and submitted to FSD as required by statute. Our test disclosed that courts did not assess the \$150 fee 88% of the time and only 1 of the 9 courts that we visited regularly assessed the fee.

Also, the DNA profiling program was not effective because samples were frequently not collected and submitted to FSD for profiling. FSD's records showed that 48% of the county sheriff departments had never submitted any samples for profiling. In addition, FSD had profiled only 1,088 of 7,733 samples received over the last three years.

DNA profiling program ineffective

Oil and Natural Gas Production Reporting

The State had not coordinated the roles of the departments involved in regulating and collecting taxes and royalties from the oil and gas industry. Oil and gas producers separately report to four different departments that maintain their own data bases with little sharing of reported information. Also, controls over State oil and mineral rights leasing, royalty payments due the State, and severance tax and surveillance fee payments were not effective.

Air Quality Division, Department of Environmental Quality

The Division needs to improve the timeliness of its enforcement activities and the resolution of violations as well as the effectiveness of its complaint investigation process. The Division took an average of 525 days to complete corrective action on noted violations included in our test. The Division also did not always document the disposition of complaints, resolve complaints in a timely manner, or inform complainants of the results of its investigations as requested.

Timeliness of air quality enforcement needs improvement

Quality of Life Recreation Bond Program, Department of Natural Resources (DNR)

Neither DNR nor the Department of Management and Budget provided sufficient oversight of project contractors. Reimbursement requests were not always accurate or adequately documented and project management firms did not ensure that change orders were proper and accurate.

Also, projects were not efficiently scheduled, resulting in delays and increased costs.

Corrections Officers' Supplemental Pay and Retirement, Department of Corrections (DOC)

Fifty-one (29%) of the 177 employees included in our test at six prisons did not meet the statutory requirements to be included in the retirement program as covered positions. This inflates the annual amount of contributions made to fund employee retirement by an estimated \$460,000, and employees may receive retirement benefits to which they are not entitled.

Also, prison employees were inappropriately given supplemental pay. Our test disclosed payments of over \$84,000 annually to ineligible employees.

Request for Proposal for the Southeast Michigan Comprehensive Health Care Program, Department of Community Health (DCH) and Department of Management and Budget (DMB)

DCH and DMB announced the highest acceptable price prior to accepting bids for the health care program. This removed the competitive feature typical to the request for proposal process and resulted in increased cost because most health plans submitted bids at the highest acceptable price.

Bureau of Safety and Regulation, Department of Consumer and Industry Services

The Bureau did not have an effective priority selection system to help ensure that the most hazardous workplaces were considered for scheduled inspections. Also, the Occupational Health Division had not investigated serious formal complaints on a timely basis.

Supplemental pay inappropriate

Bids for health care not competitive

Recipient Rights System of Wayne Community Living Services, Inc. (WCLS)

WCLS was often ineffective in its efforts to respond to and investigate recipient abuse and neglect complaints. Our audit noted that investigations were not initiated and completed on a timely basis and that suspected criminal abuse was not immediately reported to the appropriate law enforcement agency.

Facility response to abuse complaints ineffective

Office of Highway Safety Planning (OHSP), Michigan Department of State Police

OHSP awards grants to reduce traffic related crashes, injuries, and fatalities. Although OHSP had established output measures for each grant award, it had not assessed the outcomes of individual initiatives. Therefore, it could not determine which program or combination of programs was most effective in assisting OHSP in achieving its mission.

Outcomes of safety initiatives not evaluated

Also, OHSP allocates secondary road patrol program funding to county sheriff departments based on a road mileage and population formula that has not been updated in over 20 years.

Year 2000 Issues for Information Systems, Year 2000 Project Office, Department of Management and Budget

The Year 2000 Project Office did not make an assessment of which systems were most critical from a Statewide perspective. This determination would help ensure that agencies correct the most critical and highest risk systems first.

Law Enforcement Information Network (LEIN) and Criminal Justice Data Center, Michigan Department of State Police

Law enforcement agencies did not always enter or recall warrants in a timely manner. Our review of a random sample of warrants for serious felonies, such as murder, rape, and kidnapping, disclosed that 54% were entered 4 or more days after issuance and 37% were entered 15 or more days after issuance. We also determined that LEIN contained 54,000 warrants that were more than 10 years old.

Delays in entering warrants decreases system effectiveness

Guidance to departments lacking

Office of Financial Management (OFM), Department of Management and Budget

OFM had not addressed other State agencies' concerns regarding the need for more timely day-to-day assistance in the area of accounting and financial reporting. Also, OFM had not provided timely guidance regarding procedures for performing reconciliations of Michigan Administrative Information Network transactions. Our audit further noted that recorded General Fund appropriation transfers out were \$23.2 million greater than transfers in during fiscal year 1995-96. OFM could not determine the reason that operating transfers in and out did not agree.

Lack of routine maintenance costly to State

Property Management Division (PMD), Department of Management and Budget

PMD did not have a comprehensive system for maintaining and repairing State buildings, parking ramps and surfaces and their mechanical and electrical systems. We noted several instances in which a lack of preventative maintenance resulted in premature deterioration of State assets.

Incomplete investigations leave children at risk

Children's Protective Services Program, Family Independence Agency

The Program was not effective in investigating and substantiating referred cases of child abuse and/or neglect. As a result, children remained at risk. Complaints were routinely rejected without an investigation. Also, 17.7% of the investigations that were commenced were not commenced within the required time period. In addition, investigations of cases with considerable evidence of child abuse and/or neglect were frequently not complete.

Reporting of Driver License Points and the Collection and Disposition of Fines and Fees

The master driver records did not contain a significant percentage of Motor Vehicle Code convictions and related license suspensions. One circuit court had not submitted any felony convictions in over a year. Other convictions were not posted to the master driver records in a timely manner. The audit also noted six courts that collected

payments on traffic violations and did not refund the payments when the case was dismissed. The court's practices that avoided reporting convictions to the Department of State directly impact the accuracy of the master driver records and jeopardize the Department's ability to identify, in a timely manner, those drivers with the greatest likelihood of being in an accident.

Courts underreport traffic violations and underpay State

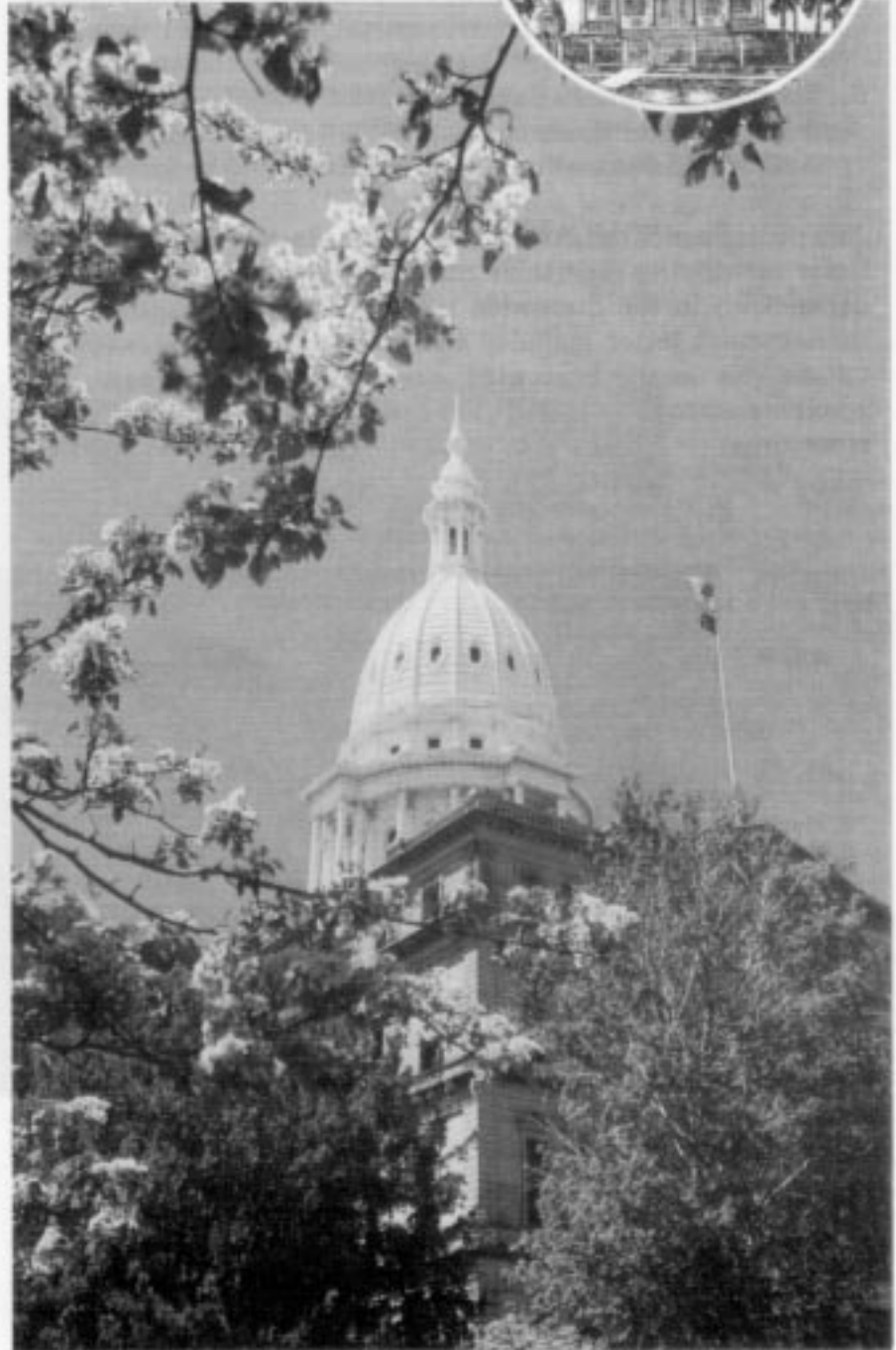
Eleven of the 20 courts in our test did not always collect the correct amount of statutorily required assessments, fines, fees, and costs. Also, 8 of 20 courts included in our test did not accurately distribute revenues. One court owed the State \$107,000 because it had not remitted money due the State since April 1994. Three other courts underpaid the State Court Fund by a total of \$922,000.

THE MICHIGAN LEGISLATURE



Michigan became the twenty-sixth state of the Union 161 years ago, on January 26, 1837. The early Legislature – 16 senators and 50 representatives – was faced with implementing the new and untested constitution, establishing State institutions and developing the wilderness. It was a momentous task for a relatively inexperienced legislative body, one that would ultimately help shape Michigan's future.

Today, the Michigan Legislature has matured to a body of 38 senators and 110 representatives who continually fine-tune the State's existing laws and propose new legislation to keep pace with our constantly changing world. For example, while the early Legislature worked to develop the wilderness, today's body is trying to protect our remaining natural resources and preserve Michigan's inherent splendor. Each year, the Legislature considers hundreds of bills, amendments and resolutions which address a multitude of issues from education to business to tax policy. While scores of bills are introduced, only those approved by both the Senate and the House, barring the governor's veto, will become law.



Inset print courtesy of the Burton Historical Collection of the Detroit Public Library.

Legislative Requests

OAG reports provide objective, unbiased, and independently developed information that members of the Legislature confidently use in making State policy decisions. The OAG responds directly to requests from the Legislature to review activities, programs, or funds not included in the scope of scheduled audits. Legislators often become aware of problems or areas of concern and then communicate them to the OAG for review and resolution. Legislators' intimate knowledge of State government programs and their close contact with constituents provide an important resource for the OAG's risk assessment process for identifying audit priorities.

Responding to legislative requests is an important function because the OAG is the only agency in State government which has the sole responsibility is to act as the overseer of public funds on behalf of the Legislature.

Sometimes the OAG addresses legislative requests within the scope of performance audits. In other instances, if the scope of the request is narrow and/or time is of the essence, the requests are satisfied through special projects. Requests frequently result in the OAG evaluating program outcomes, analyzing program expenditures, and determining if program operations were in compliance with applicable statutes and regulations.

OAG resolution of legislative requests clearly serves the public interest. Most audits and reviews resulting from legislative requests have confirmed the existence of problems and resulted in recommendations to correct or improve government operations, often through legislation. Our responsiveness enhances the Legislature's ability to carry out its oversight responsibilities in a way that is consistent with the best interests of the citizens of Michigan.

Responding to legislative requests is an important function of our office.

Audit Operations Project Team Award

The Audit Operations Project Team Award (AOPTA) continues to recognize exceptional efforts of audit teams in the Bureau of Audit Operations on a biannual basis.

The performance and financial related audit of Consent Decrees, Department of Corrections (DOC), was the recipient of the AOPTA for the six months ended September 30, 1997. The audit team consisted of Elden Lamb, supervisor, and team members Silhouette Street and Jennifer Trudeau.

The audit's primary objective was to determine the effectiveness of DOC's management of approximately \$600 million in mandated consent decrees. While DOC effectively managed most of the funds, the auditors found significant monitoring weaknesses in the mental health treatment program administered by the Department of Community Health (DCH). The audit also identified significantly underutilized treatment teams and an absence of a treatment outcome evaluation process. These inefficiencies were so material that the auditors recommended that DOC seek court approval to modify specific terms of the consent decrees.

The audit team demonstrated the quintessential of creativity and enthusiasm and the ability to harmonize issues and findings with DOC and DCH staff. Also, the processing of the audit report through the OAG was an example of efficiency, requiring only minor adjustments and meeting OAG processing standards.



The award for the six-month period ended September 30, 1997 was presented to the team of (left to right) Silhouette Street, Elden Lamb, and Jennifer Trudeau.

The performance audit of the Forensic Science Division, Michigan Department of State Police, was the recipient of the AOPTA for the six months ended March 31, 1998. The audit team consisted of Jackie Lawson, supervisor, and team members Sherri Forbes, Beth Larson, and Sandra Streb.

The report is a high impact performance audit that has generated media and Executive Office interest.

The auditors showed considerable creativity and resourcefulness in planning and executing the audit. Audit objectives were well written and appropriate. The variety of agencies involved in obtaining samples for DNA testing and in collecting laboratory fees increased the difficulty of this assignment. Staff obtained and used data from several different data bases including: the Law Enforcement Information Network, Department of Corrections, State Court Administrator's Office, and local jails. Field visits were made to district and circuit courts, local law enforcement agencies, and State and county jails. Staff made maximum use of field visits and, while testing the collection and submission of samples for DNA profiling to the State, they also determined if the appropriate forensic fees were assessed and remitted to the State.

The audit report was well written, informative, and processed without delays. The report made good use of graphs and tables to address issues and show comparative data. The audit was on time, exactly on budget, and processed with minimal difficulties.

The recipients of the AOPTA have their names engraved on a plaque that is displayed in our office. Also, the recipients are traditionally hosted to a luncheon to celebrate the team's success.



The award for the six-month period ended March 31, 1998 was presented to the team of (left to right) Sandra Streb, Jackie Lawson, Sherri Forbes, and Beth Larson.

Our audit effort requires the support of three organizational units: the Office of Professional Practice, the Office of Information Technology, and the Office of Administration.

Professional Practice

The Office of Professional Practice support services include performing quality assurance reviews of audit reports and working papers; editing audit report text for substance, correctness, and style; and conducting accounting and auditing research to keep staff abreast of ever changing professional standards, pronouncements, and trends. Also, the Office coordinates the triennial peer review of the OAG, conducted by the National State Auditors Association, and the OAG's participation in the National State Auditors Association's peer reviews of other states' audit agencies.

Oversees the OAG quality control system

The Office of Professional Practice oversees the traditional quality control system of the OAG and provides guidance to audit division administrators, audit managers, and supervisors to improve audit services and reports prior to completion of the fieldwork. The Office also provides assistance to professional staff to ensure that all audit reports and working papers meet not only the standards of our profession but also the quality standards of the OAG. In addition, the Office has developed quality improvement goals that complement the vision, goals, and objectives developed by the Bureau of Audit Operations.

Office of Professional Practice - (left to right) David Glynn, Julie Chamberlain, Cindy Grover, Mary Jo Koschay, Sherri Washabaugh, Jon Wise (Director), Kelly Bengel, Mary Waterhouse, and John Thrush.



Quality Assurance

Quality assurance reviews of our audit reports and related working papers are performed to ensure compliance with professional standards issued by the Governmental Accounting Standards Board, the Comptroller General of the United States, and the American Institute of Certified Public Accountants, as well as policies and procedures of the OAG. These quality assurance reviews, conducted in conjunction with management's report review and the report editing functions, are a fundamental part of our overall system of quality control. The reviews provide an assessment of audit quality, both on individual audits and on an officewide basis, and identify issues requiring further policy and procedure development. During the course of our audit fieldwork, audit staff frequently consult with Quality Assurance staff on issues related to conducting and reporting on the various types of audits.

We also conduct reviews of selected audit engagements performed by contracted public accounting firms to determine compliance with contract provisions and adherence to professional standards. In fiscal year 1997-98, the OAG contracted with public accounting firms to perform 22 separate audit engagements.

Audit Report Review

Well-written audit reports clearly convey the results of our audit effort to the reader. To accomplish this, Audit Report Review edits the audit reports for substance, correctness, and style. The substance portion of the review determines that the report is clear, concise, and conceptually sound and adheres to relevant standards for content and form; the correctness portion of the review ensures the use of proper grammar and consistent terminology; and the style portion of the review focuses on OAG preferences for language and composition.

In addition to the editing function, Audit Report Review staff provide assistance to audit staff regarding report processing, report format and style, and grammar. Also, Audit Report Review staff maintain the OAG Style Manual, which is designed as a practical guide to assist audit staff in writing audit reports.

Reviews audit reports and working papers for quality and compliance with standards

Edits the audit reports for substance, correctness, and style

Provides timely assistance on accounting and auditing issues

Research and Professional Standards

Research and Professional Standards provides timely professional and technical assistance on accounting and auditing issues to management and staff, facilitates the development of officewide policies and procedures relating to professional standards and practices, and maintains a professional reference library. We continue to implement new computer-assisted research programs, as they become available, to more efficiently provide assistance to staff. The ongoing revision of the OAG Auditor's Manual has resulted in more than 50 audit procedures and directives to ensure compliance with applicable professional standards and to increase the effectiveness and efficiency of our audit activities.

We develop responses to technical discussion memorandums, exposure drafts, and issue papers of various national professional organizations, such as the Governmental Accounting Standards Board, U.S. General Accounting Office, American Institute of Certified Public Accountants, National State Auditors Association, Federal Accounting Standards Advisory Board, and Government Finance Officers Association. Also, we contribute to the profession by making frequent presentations at conferences and seminars of professional organizations and by participating on their standing committees.

Information Technology

The Office of Information Technology is responsible for managing our local area network, maintaining our management information system, and providing micro-computer support and software assistance to all OAG staff.



Office of Information Technology - (left to right) , Brad Jarvis, David Batz, Rodney Markowski, Beth Larson, Thomas Mason, Kimberly Jacobs, Jeffrey Mikula, Laura DeMember, Robert Stump, Edward Kodish, Andrew Mitchell, Gabriele Brazee, Dorothy Smith, Elizabeth Torres, and George Naylor (Chief Information Officer).

Local Area Network, Management Information System, and Microcomputer Support Section

This Section maintains the OAG local area network and management information system and provides end-user computing (EUC) support to our audit staff. Our local area network, through its connection to the State of Michigan's wide area network, permits both our central office staff and our staff at on-site audit locations to share automated information and to communicate vital information electronically. The network capability provides users with electronic working paper, word processing, spreadsheet, electronic mail, Internet browser, data analysis, and database software. It also provides users with access to our management information system, which contains audit report tracking, personnel, and financial information. EUC support is provided in the form of both hardware and software problem solving, hardware maintenance, and software training. The Section also ensures that each auditor has a microcomputer and the necessary software to assist in the performance of an audit.

Provides capability to communicate vital information electronically

In fiscal year 1997-98, we installed a state-of-the-art Ethernet network and removed our token ring network. Our new network configuration has made us compatible with the State's wide area network. It allows our audit staff at remote audit sites to easily connect to our network which, in turn, facilitated

Provides problem solving, hardware maintenance, and software training for EUC support to auditors

our migration to automated working papers and the use of electronic mail. It also increased the processing speed and throughput of our data analysis. In addition, it improved our ability to monitor and maintain our networks.

We upgraded all of our desktop computers and a significant portion of our notebook computers to help support the OAG's implementation of electronic working papers and to expand our use of electronic mail and the Internet. We also enhanced the OAG's web site on the Internet by adding the complete audit reports in addition to the executive digests. During this fiscal year, over 1,200 copies of audit reports were downloaded or accessed by Internet users. In addition, we automated our procedures manuals and installed them on every computer. This coincides with our long-range plan to automate our procedures, manuals, and forms, as appropriate.

Our goals for next fiscal year are to upgrade our working paper software, increase the processing speed of our network servers, upgrade our remaining notebook computers, establish an intranet, and upgrade our web site to include a search feature and a "list-serve" function to allow electronic mail distribution of each audit report's executive digest.

Software Assistance Section

This Section analyzes automated information stored in any electronic format to assist OAG staff during audit fieldwork. This analysis includes both mainframe and microcomputer programming to manipulate and analyze automated financial and nonfinancial records (e.g., licensing, college student enrollment, and public assistance) for audit.

In fiscal year 1997-98, we completed developing standard microcomputer applications to further automate data analysis, OAG audit working papers, and OAG audit processes. This was achieved by centrally locating Software Assistance staff and by fully implementing electronic working papers in conjunction with the Bureau of Audit Operations.

We also provided computer hardware and software training to OAG staff, as well as providing software assistance to approximately 90% of the audits conducted during the fiscal year.

Our goals for next fiscal year are to standardize our data extraction and analysis software, continue to standardize our data analysis procedures, update our continuous quality improvement goals and objectives, and implement software to help measure accomplishment of our goals and objectives.

Provides the capability to analyze automated records in support of ongoing audits

Administration

The Office of Administration provides human resource management; Michigan Administrative Information Network (MAIN), Data Collection and Distribution System (DCDS), and Human Resources Management Network (HRMN) implementation and administration; computer-assisted graphics support services; accounting and budgeting; audit report production; and officewide printing, purchasing, and clerical support.



Office of Administration - (left to right) Dennis Strzalkowski, Paul Green, Linda Hagan (Director), Donna Glowacki, Michael Mrazek, Theresa Fedewa, Jarita Qawwee, Mary Jo Baker, Amanda Feldpausch, Dawn Keilen, Tok Cha Odell, Rick Ettinger, Marilyn Tarrant, and John Odell. Not pictured are Mary Kay Smith and Nicole Smith.

Human Resources

The delivery of human resource services is of prime importance to our organization. We strive to develop and implement innovative and effective strategies to enhance recruiting, staff development, and personnel management. During the past year, staff have participated in implementing HRMN. When it is fully implemented in October 1999, HRMN will replace the State's existing human resources management systems (PPRISM, PPS, and ACCEL).

Recruiting

We actively participated in campus recruiting activities this year and also conducted interviews in our Lansing office. We successfully recruited and hired 8 student assistants for limited term appointments, 20 full-time auditors, and 1 full-time information technology analyst.

... strive to develop and implement innovative and effective strategies to enhance recruiting, staff development, and personnel management.

Professional standards require 80 hours of continuing education every two years.

Staff Development

We place great importance on developing and retaining staff. All staff members are encouraged and provided the opportunity to develop their professional skills. In addition, the Comptroller General of the United States, the American Institute of Certified Public Accountants, and the State Board of Accountancy require members of the profession to annually obtain continuing professional education. For example, *Government Auditing Standards* require that auditors complete at least 80 hours of continuing education every two years. In fiscal year 1997-98, the OAG provided approximately 8,800 hours of continuing education, which focused on electronic working papers, writing audit findings, developing and writing effective audit reports, conducting and managing performance audits, using OAG downloads and MAIN reports, flowcharting software, team building, and other topics relevant to our profession. Much of this training was provided to OAG staff during our week-long program, "OAG Spring Training Days," held in June 1998. We continued to offer Franklin Quest time management training to new employees, which we had offered in the previous year to all staff. We also presented a two-day program for new and future audit supervisors designed to help them prepare for new responsibilities associated with supervising. Additionally, we presented a program to the entire staff to prepare them for the implementation of Civil Service Rule 1-7, Drug and Alcohol Testing.

<i>Certified Public Accountants</i>	76
<i>Certified Internal Auditors</i>	8
<i>Certified Information</i>	
<i>Systems Auditors</i>	10
<i>Certified Management</i>	
<i>Accountants</i>	2
<i>Master's Degrees</i>	13
<i>Doctorate in Public</i>	
<i>Administration</i>	1
<i>Associate's Degrees</i>	
<i>in Data Processing</i>	7

As part of staff development, we actively support auditors seeking professional certification and advanced degrees through our administrative leave policy and our tuition reimbursement program. Of our 152 professional audit staff, 78 have obtained certification from one or more of the various professional certification programs. The OAG professional audit staff includes 76 certified public accountants, 8 certified internal auditors, 10 certified information systems auditors, and 2 certified management accountants. We also have 13 staff members who have earned master's degrees, 1 staff member who has earned a doctorate, 1 working on a Juris Doctor degree, and 1 doctoral candidate. In addition, we have had 7 staff members complete associate's degrees in data processing, in addition to their bachelor's degrees.

During 1997-98, 5 OAG staff members earned professional certifications:

Certified Public Accountants

Monica K. Benton
Shelly M. Fanson
Daniel T. Jaroche
Brian K. Kent
Nancy Jo Serna

Many OAG auditors are active in professional organizations, including the American Institute of Certified Public Accountants; the Michigan Association of Certified Public Accountants; the Government Finance Officers Association; the Association of Government Accountants; the National Association of State Auditors, Comptrollers, and Treasurers; the National State Auditors Association; the Institute of Internal Auditors; the Midwestern Intergovernmental Audit Forum; the State Association of Accountants, Auditors, and Business Administrators; and the Information Systems Audit and Control Association. Many of these organizations have continuing representation from our office on an official basis at their respective meetings.

Administrative Information Services

Administrative Information Services uses a variety of electronic publishing hardware and software to create, revise, and enhance our audit reports, office forms, and stationery. In addition, staff have used graphics and text prepared by Administrative Information Services in their presentations to various external organizations and OAG groups. Electronic publishing encompasses most aspects of OAG operations and enhances the readability of the OAG's published materials and eliminates the need for external contracting.

Accounting and Budgeting

The major focus of our efforts during fiscal year 1997-98 was to improve our operating efficiencies under the State's accounting and budgeting system (MAIN). We continued to develop more effective processes for budget preparation and administration, audit fee collections, and financial reporting.

MAIN was implemented in 1994-95, and has resulted in more effective and efficient systems. The management of MAIN is currently exploring MAIN's direction over the next 10 years.

Office Services

Office Services continues to be committed to implementing new technologies to enhance operational efficiencies and quality of output. In the past, our operation has focused on the production of audit reports, lined paper for working paper narrative, columnar pads, and the countless forms which are necessary to keep the OAG running. At one time, we printed 400,000 sheets of lined paper per year; today, our audit staff uses approximately 50,000 sheets per year. As we approach a truly "paperless" society, our focus has necessarily changed. While the production of audit reports continues to be our top priority, printing on demand has become one of our primary operational tenets.

Over the past five years, Office Services has been developing systems and procedures to enhance its ability to take advantage of this trend. In the past year, we have continued to improve our manual systems to better meet the need for printing on demand; in the future, our goal is to implement digital technology to achieve even greater economy, efficiency, and effectiveness.

Clerical Support

The major function of Clerical Support is to type and format submitted audit reports for processing and issuance. Clerical Support is also responsible for distributing audit reports, manuals, and letters; operating the telephone switchboard and reception desk; and maintaining various internal records.

Cross-training and automation have enabled the OAG to minimize staffing needs.

Clerical Support employees are cross-trained and, because of the local area network, can perform their duties at any of several office work sites. Employee cross-training and full utilization of the network have enabled us to minimize our staffing needs.

Payroll/ Management Information System (MIS) Input Unit

The major function of the Payroll/MIS Input Unit is to process payroll transactions for all OAG employees. The Unit enters employee time sheets, processes biweekly time and attendance reports, and enters time and attendance into the Data Collection and Distribution System (DCDS).

The OAG requires that all staff hours be properly accounted for. To assist in this effort, the Payroll/MIS Input Unit enters budget hours and direct hours for all OAG activities. The Unit is also responsible for maintaining audit report related information for inclusion on our Internet web site.

Office of the Auditor General Reports and Other Information

An audit report and its supporting evidence is considered confidential until its official release to the Legislature, 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 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**, call us at (517) 334-8050
- **By FAX** at (517) 334-8079. Please include your name, address, and the specific reports or other information wanted in your request
- **On the Internet** at *<http://www.state.mi.us/audgen>*

AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED
DURING FISCAL YEAR 1997-98

- * Special report.
- ** Letter report issued to the Department's director or the Authority's chairperson.
- R Audit required by law.
- N/A Not applicable.

Project Number	Report Title	Audit Type	Recommendations	
			New	Repeated
AGRICULTURE, DEPARTMENT OF				
79-300-97	* Upper Peninsula State Fair <i>The Board of Managers conducts a Fair at Escanaba to encourage improved methods in agricultural and industrial pursuits.</i>	Performance	5	0
79-590-97	Automated Information Systems <i>Department data processing services are provided by the Finance and Technology Division. Data processing services include the Food Licensing System, Food Service Licensing System, and Motor Fuel Licensing System.</i>	Performance	8	0
ATTORNEY GENERAL, DEPARTMENT OF				
11-100-97	Department of Attorney General - R	Single	3	0
CIVIL RIGHTS, DEPARTMENT OF				
15-100-97	Department of Civil Rights - R	Single	0	0
CIVIL SERVICE, DEPARTMENT OF				
19-125-95F	* Follow-Up Review of Statewide Contractual Personal Services <i>The Departments of Civil Service and Management and Budget are responsible for maintaining centralized controls over contractual services.</i>	Performance	N/A	N/A
19-140-95F	* Follow-Up Review of Classification and Selection Activities <i>Classification and selection activities are designed to ensure the proper classification and compensation of all positions in the classified service.</i>	Performance	N/A	N/A
19-590-94F	* Follow-Up Review of Automated Information Systems <i>Executive Order 1996-5 transferred responsibility for the Continued Group Insurance System and the Family Care Accounts System from the Department of Civil Service to the Department of Management and Budget.</i>	Performance	N/A	N/A

AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED
DURING FISCAL YEAR 1997-98

Project Number	Report Title	Audit Type	Recommendations	
			New	Repeated
COMMUNITY COLLEGES				
32-500-98	Community Colleges Activities Classification Structure <i>Community colleges report certain information annually to the Department of Education. This information is used in a funding formula to determine State aid for each community college.</i>	Compliance	11	0
COMMUNITY HEALTH, DEPARTMENT OF				
39-152-97	Recipient Rights System of Wayne Community Living Services, Inc. <i>Wayne Community Living Services, Inc., is a nonprofit mental health agency under contract with Detroit-Wayne County Community Mental Health Agency to provide mental health services to people with developmental disabilities throughout Wayne County.</i>	Performance	10	0
39-200-97	* Closing Review of Clinton Valley Center <i>The Center officially closed October 4, 1997.</i>	Financial	5	0
39-205-97	* Closing Review of Detroit Psychiatric Institute <i>The Institute officially closed October 4, 1997.</i>	Financial	0	0
39-484-97	Northern Michigan Community Mental Health Board <i>The Board, an agency under contract with the Department, provides services and community education in Charlevoix, Cheboygan, Emmet, and Otsego Counties.</i>	Performance	8	0
39-634-97	Request for Proposal for the Southeast Michigan Comprehensive Health Care Program, Department of Community Health and Department of Management and Budget <i>The request for proposal is intended to result in contracts for managed care programs delivering comprehensive health care services to approximately 470,000 Medicaid recipients in five Southeast Michigan counties.</i>	Performance	6	0
39-637-98	Request for Proposal for the Children's Specialty and Children's Comprehensive Health Care Plan, Department of Community Health and Department of Management and Budget <i>The purpose of this request for proposal was to provide for a comprehensive and specialty-focused set of organized Statewide health care services for children.</i>	Performance	1	0
39-650-97	Correctional Mental Health Program, Bureau of Forensic Mental Health <i>The Bureau's Correctional Mental Health Program provides four levels of treatment: outpatient, residential, rehabilitative, and acute.</i>	Performance	6	0

AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED
DURING FISCAL YEAR 1997-98

Project Number	Report Title	Audit Type	Recommendations	
			New	Repeated
CONSUMER AND INDUSTRY SERVICES, DEPARTMENT OF				
63-200-95F	* Follow-Up Review of the Pass Through Program, Michigan State Housing Development Authority, Department of Commerce <i>The primary responsibilities of the Pass Through Program are to increase the supply of safe, sanitary, adequate, and affordable housing for eligible persons and families and to help provide for economic expansion in the housing industry.</i>	Performance	N/A	N/A
63-230-97	Arts and Cultural Projects Program - Cities, Townships, and Villages <i>The Program's mission is to advise the Governor and the director of the Department on matters relating to arts and cultural affairs and to award, fund, and disburse grants to public and private arts and cultural entities.</i>	Performance	3	0
63-245-970	Michigan State Fair and Exposition Center <i>The Center is responsible for conducting an annual State Fair and other exhibits or events for the purpose of promoting all phases of the economy of the State.</i>	Financial	2	0
63-432-97	Child Day Care and Child Welfare Licensing Divisions, Bureau of Regulatory Services <i>The Division is responsible for regulating and providing technical assistance and consultative services to approximately 16,800 child day care homes and 4,600 child day care centers.</i>	Performance	3	2
63-440-97	Bureau of Safety and Regulation <i>The Bureau's primary responsibility is to administer and enforce the provisions of the Michigan Occupational Safety and Health Act.</i>	Performance	9	0
CORRECTIONS, DEPARTMENT OF				
47-100-98	Department of Corrections - R	Single	4	1
47-117-97	Corrections Officers' Supplemental Pay and Retirement <i>As of May 3, 1997, the Department operated 38 prisons that had over 13,000 employees, of which over 7,900 employees were corrections officers.</i>	Performance	5	0
47-119-97	Presentence Investigation Process <i>The Michigan Compiled Laws require probation officers to report to the court on the background, character, and circumstances of an offender charged with a felony before the court sentences the offender.</i>	Performance	3	0
47-121-98	Intake to Parole Process <i>Parole may not be granted unless the Parole Board has reasonable assurance that the prisoner will not become a menace to society or to the public safety.</i>	Performance	4	0

AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED
DURING FISCAL YEAR 1997-98

Project Number	Report Title	Audit Type	Recommendations	
			New	Repeated
47-219-97	Carson City Correctional Institutions: Carson City Correctional Facility and Carson City Temporary Facility <i>The mission of the facilities is to protect society by providing a secure setting for prisoners.</i>	Performance	10	0
47-246-97	Chippewa Correctional Institutions: Chippewa Correctional Facility and Chippewa Temporary Correctional Facility <i>The mission of the facilities is to protect society by providing a secure setting for prisoners.</i>	Performance	6	0
47-260-97	Coldwater Correctional Facilities: Florence Crane Women's Facility and Lakeland Correctional Facility <i>The mission of the facilities is to protect society by providing a safe, secure, and humane environment for staff and prisoners.</i>	Performance	14	0
EDUCATION, DEPARTMENT OF				
31-122-97	School Aid Fund <i>The Fund is provided for by the State Constitution to furnish aid to school districts. Payments to school districts are based on statutory formulas.</i>	Financial	1	4
31-160-96	At Risk Programs <i>At Risk Programs are individually designed to target preschoolers and kindergarten through high school students who are at risk of becoming, or who are, educationally disadvantaged.</i>	Performance	10	0
ENVIRONMENTAL QUALITY, DEPARTMENT OF				
76-142-96	Air Quality Division <i>The Department's mission is to drive improvements in environmental quality for the protection of public health and natural resources to benefit current and future generations.</i>	Performance	10	2
76-143-96	* Fee Adequacy and Delegated Authority Within the Air Quality Division - R <i>The Michigan Compiled Laws require the Auditor General to biennially audit the operating permit program required by Title V of the Clean Air Act, including a recommendation regarding the sufficiency of the fees required to meet the minimum requirements of the Clean Air Act.</i>	Performance	0	0
FAMILY INDEPENDENCE AGENCY				
43-178-97	Children's Trust Fund <i>The Children's Trust Fund was created to receive and administer funds for the prevention of child abuse and neglect.</i>	Performance	3	0

AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED
DURING FISCAL YEAR 1997-98

Project Number	Report Title	Audit Type	Recommendations	
			New	Repeated
43-284-96	Children's Protective Services Program <i>The mission of this Program is to protect children who are at risk of child abuse and/or child neglect.</i>	Performance	19	1
43-292-94F	* Follow-Up Review of the Tuition Incentive Program, Department of Social Services <i>The Program's mission is to reduce the State's high school student drop-out rate.</i>	Performance	N/A	N/A
43-350-97	Families First of Michigan Program <i>The Program was established by the Legislature in 1988 to provide an in-home services alternative to out-of-home placement of children because of substantiated child abuse, child neglect, or delinquency.</i>	Performance	8	0
JUDICIAL				
05-150-97	State-Funded Judicial Operations - R	Single	6	2
05-595-96F	* Follow-Up Review of the Child Support Enforcement System <i>The federal Family Support Act of 1988 mandated that each state implement, by October 1, 1995, an automated statewide child support enforcement system that meets federal certification requirements. That deadline was extended to October 1, 1997.</i>	Performance	N/A	N/A
05-600-97	Schedules of Section 9945(1)(d) Revenue of the 36th District Court, State of Michigan, and Section 9945(8) Revenue and Expenditures of the Parking Violations Bureau, City of Detroit <i>The 36th District Court collected revenue of approximately \$11.0 million during fiscal year 1995-96. The Parking Violations Bureau collected revenue of approximately \$8.4 million and expended approximately \$6.6 million during the period October 1, 1995 through September 30, 1996.</i>	Financial	7	4
05-602-97	* Review of Michigan Statutory Wills <i>The statutory will was developed to meet the needs of many people who wish to avoid the effort and expense of hiring an attorney to prepare a will.</i>	Performance	0	0
05-604-97	* Review of Probation, Delayed, and Deferred Sentences <i>This special report is in response to legislative concerns that a person convicted of committing a criminal offense may receive a more lenient sentence because the courts are not aware of the person's entire criminal history.</i>	Performance	0	0
05-700-97	Reporting of Driver License Points and the Collection and Disposition of Fines and Fees <i>Trial courts report traffic-related convictions to the Department of State and collect and distribute revenues from assessments, fines, fees, and costs.</i>	Performance	10	0

AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED
DURING FISCAL YEAR 1997-98

Project Number	Report Title	Audit Type	Recommendations	
			New	Repeated
MANAGEMENT AND BUDGET, DEPARTMENT OF				
07-010-98	* <i>State of Michigan Comprehensive Annual Financial Report (SOMCAFR) - Principal (Fiscal Year 1996-1997) - R</i>	Financial	N/A	N/A
07-011-98	**SOMCAFR - Central Staff (Fiscal Year 1996-97)	Financial	N/A	N/A
07-012-98	**SOMCAFR - Field Staff (Fiscal Year 1996-97)	Financial	N/A	N/A
07-030-98	**Review of Constitutional Revenue Cap (Fiscal Year 1996-97) - R	Financial	N/A	N/A
07-031-98	**Review of Section 30 Expenditure Limitation Report (Fiscal Year 1996-97) - R	Financial	N/A	N/A
07-100-97	Department of Management and Budget - R	Single	3	2
07-128-96	Property Management Division <i>The Division's mission is to provide a safe, healthy, accessible, aesthetically pleasing, and functional environment of Statewide facilities and properties under its jurisdiction.</i>	Performance	5	0
07-130-97	Office of Financial Management <i>The Office is charged with maintaining a central accounting system and a Statewide internal control structure and has broad supervisory powers over all accounting and financial reporting activities within State agencies.</i>	Performance	7	5
07-140-97	Information Technology Revolving Fund <i>The Fund is responsible for telecommunication services, computer services, administration of master contracts, capitalization of the Michigan Administrative Information Network equipment and programs, and other customer service programs provided to other State agencies.</i>	Financial	3	0
07-142-96	Office of Purchasing <i>The Office's mission is to establish and operate an efficient and effective procurement system that takes into account quality, prices paid, the cost of the procurement transaction, and timeliness.</i>	Performance	5	0
07-158-97	Michigan Judges Retirement System <i>The Retirement System provides retirement, survivor, and disability benefits to judges in the judicial branch of State government.</i>	Financial	2	2
07-143-98	State Sponsored Group Insurance Fund, Office of the State Employer and Department of Management and Budget <i>The Fund was established to account for employee and retiree insurance benefit program costs.</i>	Financial	2	0

AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED
DURING FISCAL YEAR 1997-98

Project Number	Report Title	Audit Type	Recommendations	
			New	Repeated
07-184-98	State Administrative Board <i>The Board exercises general supervisory control over all administrative departments, boards, commissions, and officers of the State. It also approves contracts and leases, investment of funds, travel regulations, and settlement of small claims against the State.</i>	Performance	1	0
07-594-95F	* Follow-Up Review of the Michigan Administrative Information Network (MAIN) <i>MAIN was implemented as the new Statewide financial management system for Michigan on October 1, 1994.</i>	Financial	N/A	N/A
07-597-97	Year 2000 Issues for Information Systems, Year 2000 Project Office <i>The mission of the Year 2000 Project Office is to oversee and facilitate agencies in achieving year 2000 operability for their computer applications.</i>	Performance	3	0
07-629-98	* Use of Transportation-Related Funding - R <i>Transportation-related funding was provided to the Departments of State, Management and Budget, State Police, Treasury, Civil Service, Environmental Quality, Attorney General, Natural Resources, and Consumer and Industry Services and to the Office of the Auditor General.</i>	Financial	2	3
07-642-97	* Review of the Process Used by the Michigan Biologic Products Commission to Convey the Assets and Liabilities of the Michigan Biologic Products Institute (MBPI) <i>Executive Order 1995-25 established the MBPI as an autonomous agency. This Executive Order also provided for the determination of the fair market value of the assets of MBPI and the development of a plan for the transfer of MBPI to a private enterprise.</i>	Performance	0	0
07-645-97	*Examination of Ameritech Ratepayers' Shareable Earnings Settlement <i>The Settlement called for \$2 million to be expended to create the Michigan Government Television Network. The remainder of the Ratepayers' Shareable Earnings was also to be distributed.</i>	Performance	0	0
07-646-98	*Review of Staffing Levels and Employee Compensation at the Michigan Biologic Products Institute (MBPI) <i>Executive Order 1995-25 established MBPI as an autonomous agency. This Executive Order also provided for the determination of the fair market value of the assets of MBPI and the development of a plan for the transfer of MBPI to a private enterprise.</i>	Performance	N/A	N/A

AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED
DURING FISCAL YEAR 1997-98

Project Number	Report Title	Audit Type	Recommendations	
			New	Repeated
MICHIGAN JOBS COMMISSION				
45-100-97	Michigan Jobs Commission - R	Single	10	1
MILITARY AND VETERANS AFFAIRS, DEPARTMENT OF				
51-100-98	Department of Military and Veterans Affairs - R	Single	0	0
51-110-97	Department of Military and Veterans Affairs	Financial	6	1
NATURAL RESOURCES, DEPARTMENT OF				
75-105-96	Quality of Life Recreation Bond Program <i>The amount of \$60 million was set aside for improving the infrastructure of Michigan State parks. The Department refers to this as the Quality of Life Recreation Bond Program.</i>	Performance	9	0
75-148-97	Cadillac Local Development Finance Authority <i>The Authority was created to reduce, eliminate, or prevent the spread of identified soil and groundwater contamination.</i>	Performance	0	0
75-180-97	Public Recreation Access Programs <i>The Department is responsible for managing the State forest program, State park program, trails program, boating access program, and dock and harbor program.</i>	Performance	3	0
75-590-96F	* Follow-Up Review of Automated Information Systems <i>The Department's Management Information Division provides data processing services to the Department and the Department of Environmental Quality.</i>	Performance	1	0
75-603-96	* Review of Repeat Winners of Elk Hunting Permits <i>The Department began issuing elk hunting permits in 1984. The number of people applying for permits greatly exceeds the number of permits issued each year.</i>	Performance	0	0
75-700-97	Oil and Natural Gas Production Reporting <i>Information on the production of oil and natural gas in Michigan is reported to four State departments: Natural Resources, Treasury, Environmental Quality, and Consumer and Industry Services.</i>	Performance	10	0
PUBLIC HEALTH, DEPARTMENT OF				
35-594-95F	* Follow-Up Review of the Division of Management and Information Systems and Selected Automated Information Systems <i>The Division is responsible for providing information processing services to the Department.</i>	Performance	N/A	N/A

AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED
DURING FISCAL YEAR 1997-98

Project Number	Report Title	Audit Type	Recommendations	
			New	Repeated
STATE , DEPARTMENT OF				
23-100-97	Department of State - R	Single	9	0
23-232-97	Regulatory Services Administration <i>Regulatory Services Administration consists of the Bureau of Hearings, Office of Internal Audit and Enforcement, and Bureau of Automotive Regulation.</i>	Performance	2	1
STATE POLICE, MICHIGAN DEPARTMENT OF				
55-100-98	Michigan Department of State Police - R	Single	4	0
55-160-97	Forensic Science Division <i>The mission of the Division is to provide leadership, development, coordination and delivery of "state of the art" forensic services to the criminal justice community.</i>	Performance	4	0
55-170-97	Office of Highway Safety Planning <i>The mission of the Office is to save lives and reduce injuries on Michigan roads through leadership, innovation, facilitation, and program support in partnership with other safety professionals.</i>	Performance	3	0
55-591-96	Law Enforcement Information Network (LEIN) and Criminal Justice Data Center <i>LEIN is a Statewide computerized information system that enables participating law enforcement agencies to access and/or modify stored information. The Criminal Justice Data Center is responsible for access to and management of LEIN.</i>	Performance	11	14
TRANSPORTATION, MICHIGAN DEPARTMENT OF				
59-100-97	Michigan Department of Transportation - R	Single	5	0
59-410-97	Administration of Act 51, P.A. 1951, as Amended, Michigan Department of Transportation and Department of Treasury <i>The Michigan Transportation Fund is the depository for motor vehicle license revenue and gasoline tax revenue. Act 51 restricts the use of the funds to road maintenance, road construction, snow removal, and local road construction projects.</i>	Performance	6	0

AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED
DURING FISCAL YEAR 1997-98

Project Number	Report Title	Audit Type	Recommendations	
			New	Repeated
TREASURY, DEPARTMENT OF				
27-115-98	Private Colleges' Enrollments <i>The Michigan Higher Education Assistance Authority (MHEAA), through the Department of Treasury, is responsible for administering private college competitive scholarships, tuition grants, adult part-time grants, Michigan work-study awards, and MHEAA degree reimbursements.</i>	Compliance	0	0
27-245-97	Homestead Property Tax Exemption Program <i>To be exempted from the nonhomestead property tax, a homeowner had to file for and receive a homestead property tax exemption.</i>	Performance	5	0
27-252-98M	* State Treasurer's Annual Report - R	Financial	1	0
27-252-98O	**State Treasurer's Annual Report - R	Financial	N/A	N/A
27-310-97	Michigan Higher Education Assistance Authority and the Michigan Higher Education Student Loan Authority <i>The objective of the Authorities' programs is to enhance employability prospects for Michigan residents by providing equality of access and freedom of choice to students seeking a postsecondary education.</i>	Performance	7	3
27-330-98	School Bond Loan Fund and School Loan Bond Redemption Fund <i>The purpose of the Funds is to provide for the issuance of State general obligation bonds to provide funds for loans to school districts to help finance bond debt requirements for capital improvements projects.</i>	Financial	1	0
27-605-98	Federal Cash Management Improvement Act Program <i>The Act provides for methods to request federal funds and the payment of interest by either party if funds are not received on a timely basis.</i>	Performance	0	0
UNIVERSITIES				
33-190-97	Saginaw Valley State University <i>The University is a public institution of higher education that grants baccalaureate and master's degrees.</i>	Performance	9	0
33-300-98	Selected State Universities' Reporting of Enrollment and Other Higher Education Institutional Data Inventory (HEIDI) Data - R <i>The Legislature established HEIDI to capture enrollment and other data regarding State universities.</i>	Compliance	5	1
			<u>344</u>	<u>49</u>