

Office of the Auditor General and
Management and Board of Trustees
State Building Authority

In planning and performing our audit of the financial statements of the State Building Authority as of and for the year ended September 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the State Building Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State Building Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the State Building Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies, significant deficiencies, or material weaknesses in internal control and therefore, deficiencies, significant deficiencies, or material weaknesses may exist that were not identified.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal control and operating efficiency. These matters are included within this letter.

We would be pleased to discuss these matters in further detail at your convenience, to perform any study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Board of Trustees, others within the organization, the Office of the Auditor General, and the Office of Financial Management and is not intended to be, and should not be, used by anyone other than these specified parties.

Andrews Hooper Pavlik PLC

Okemos, Michigan
December 16, 2016

Current Year Recommendations

Audit Adjustments

During our current year audit, we noted two audit adjustments that impacted the government-wide financial statements. One adjustment decreased lease revenue and project costs in progress by \$1.2 million. The other adjustment decreased lease revenue and leases receivable by \$16.2 million. These adjustments were the result of errors in the schedules used to calculate these balances at year end. We recommend management implement review and/or reconciliation processes related to the supporting schedules for project costs in progress and leases receivable to ensure they are compiled accurately.

Prior Year Recommendations

Review of Year-end Closing Process

Fiscal year 2014 was the first year the accounting for State Building Authority was performed by the Department of Treasury and certain year-end closing processes were delayed during this transition year. Had the management of the State Building Authority had more time to review the financial statements, including the supplemental schedules and support used to record year-end closing entries, two adjustments identified during the audit may have been identified and corrected as part of the normal closing process. We recommended that the State Building Authority and Department of Treasury review the timing of year-end closing procedures to allow for a more timely review of year end financial information.

Update for 2015 and 2016

The closing process and audit were delayed again in 2015 and 2016 due to delays in posting final entries and completion of the year-end closing schedules. We recommend further review of the timeline for the year-end closing process to determine if financial statements and related items can be finalized and provided to the auditors in a time frame that allows for finalizing the financial statements and audit documentation in accordance with the prescribed timeline.