



MICHIGAN STRATEGIC FUND

October 13, 2025

Jessica Thomas, Chief Internal Auditor
Office of Internal Audit Services
State Budget Office
George W. Romney Building
111 S. Capitol Avenue, 6th Floor
Lansing, Michigan 48913

Dear Ms. Thomas:

In accordance with State of Michigan, Financial Management Guide, Part VII, please see the attached summary of findings and associated corrective action plan to address the recommendation contained in the Michigan Office of the Auditor General's (OAG) Performance Audit of the Michigan Community Revitalization Program within Michigan Strategic Fund (MSF), for the period October 1, 2020 through March 31, 2023.

Should you have any questions regarding the attached information, please contact either of us, directly at (517) 285-7685 or burnettl@michigan.org.

Lany Burnett

MSF Internal Control Office Signature

10-13-2025

Date Signed



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I. Audit recommendations the agency has complied with:

Finding 1 - MEDC needs to consistently maintain documentation of milestone report submission dates, requests to awardees for additional information, and other relevant communications with awardees to better support its MCRP report reviews. MEDC's procedures provided staff with a project tracking sheet to document relevant review notes; however, completion of it was not required.

II. Audit recommendations yet to be complied with: None

III. Audit recommendations the agencies disagree with: None



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MEDC needs to consistently maintain documentation of its review of awardees' satisfaction of MCRP milestones to help better evaluate awardee compliance with milestone requirements. Consistently documenting relevant communications, verifications, and other rationale(s) is important to allow for secondary approval of the milestone, when necessary, and is critical to support MEDC's review and approval of milestones if subsequently questioned or challenged.

Awardees can submit milestone reports to MEDC directly in its Salesforce database, by e-mail, or through other means. The agreement stipulates the awardee must submit each report by a specific due date, and it also states MEDC agrees to review the report within a required time frame, most typically within 45 days of receipt. Our review noted MEDC needs to improve its documentation of:

- The date the awardee submitted the report with all documentation required by the written agreement.
- Communications with awardees related to overdue documentation, if applicable.
- Requests for additional documentation, follow-up communications with awardees, and other documentation to help better support MEDC's approval of milestones.

Our review of 28 individual milestones from 15 selected MCRP award agreements noted MEDC's review of reports appeared to be late for about 40% of the milestones we reviewed, averaging 74 days late. In about three quarters of these instances, MEDC informed us delayed receipt of documentation from awardees likely caused MEDC's review to appear late; however, without consistent documentation of its review of reports, MEDC was unable to support the delays were due to awardee non-responsiveness or delays. In some instances, MEDC attempted to retrieve e-mail communications with awardees for the selected MCRP milestones we reviewed; however, this was not always possible because the MEDC staff person who received the e-mail was no longer employed with MEDC.

MEDC procedures provide staff with an MCRP project tracking sheet for documenting specific notes pertaining to each milestone report review; however, MEDC informed us the tracking sheet is an optional tool and was not required to be completed by MEDC staff for the 15 projects we reviewed.

Recommendation

We recommend MEDC consistently maintain documentation to better support its review and approval of MCRP milestones.



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Final Response / Corrective Action Plan Update

MEDC agrees with the recommendation and has implemented new procedures to better document the completion of milestones, submission dates, and other communications with awardees:

1. The date the awardee submitted the milestone report with all documentation required by the written agreement.
 - a. MEDC/MSF is requiring awardees to submit all reporting requirements through the Salesforce portal website, which will date stamp all submissions.
 - b. Exceptions could be non-grant incentives (direct loans, loan participations, equity investments, etc.) that typically have very large and complex requirements that are submitted from a variety of sources, including email. More detailed reasons being:
 - i. The portal website only allows one user to access each incentive award while we have several people submitting milestone requirements for these awards.
 - ii. Feedback from legal, who generally administers submissions of non-grant milestones to compliance, has requested these submissions remain flexible to allow receipt by email, thumb drive, first-class mail, etc.
 - iii. It's not practical to force numerous entities to share a single login to upload documents.
 - c. We will track the final submission date with an email from the MEDC legal team, outside council, or the awardee confirming the final submission of milestone materials. This email will be saved to the incentive or metric within Salesforce.
2. Communications with awardees related to overdue milestone documentation.
 - a. We will be issuing notices of default as soon as possible once an awardee has gone beyond their milestone due date.
 - i. If an amendment request has been submitted to resolve a default event prior to the due date, (if a company needs an extension, change milestone requirements, etc.) no notice of default will be issued while the amendment request is reviewed/processed.
3. Requests for additional documentation, follow-up communications with awardees, and other documentation to help better support MEDC's approval of milestones.
 - a. We will be saving all decision points made by email to the incentive or metric. Similarly, we will record all decisions made by call or in person to the incentive or metric.