

EXECUTIVE DIGEST

STATE-FUNDED JUDICIAL OPERATIONS

INTRODUCTION

This report contains the results of our financial audit*, including the provisions of the Single Audit* Act, of the State-Funded Judicial Operations for the period October 1, 1998 through September 30, 2000.

AUDIT PURPOSE

This financial audit of the State-funded judicial operations was conducted as part of the constitutional responsibility of the Office of the Auditor General and is required on a biennial basis by Act 251, P.A. 1986, to satisfy the requirements of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

BACKGROUND

The judicial system consists of three levels of courts and other judicial agencies. The courts include the Supreme Court, the Court of Appeals, and State trial courts. Trial courts consist of circuit, district, and probate courts. The Court of Claims resides in the 30th Circuit Court (Ingham County) and has jurisdiction limited to hearing claims against the State of Michigan. Other judicial agencies include the State Court Administrative Office, State Appellate Defender Office, Michigan Appellate Assigned Counsel System, Michigan Judicial Institute, and Judicial Tenure Commission.

The finance department of the Supreme Court maintains the accounting records for all revenue and expenditures involving State funds, including federal grant money. Various courts and other judicial agencies are the federal grant recipients, and they administer the federal grant programs.

For the fiscal year ended September 30, 2000, revenue totaled \$56,459,483 and expenditures and operating transfers out totaled \$223,021,912 for the State-funded judicial operations. State General Fund appropriations provide the primary funding for expenditures in excess of revenue collections.

As of September 30, 2000, the State-funded judicial operations had 1,047 employees, which included all judges, except probate judges, for the various trial and appellate courts.

**AUDIT OBJECTIVES
AND CONCLUSIONS**

Audit Objective: To audit the State-funded judicial operations' financial schedules and to examine the supplemental financial schedules, including the schedule of expenditures of federal awards, in relation to the financial schedules for the fiscal years ended September 30, 2000 and September 30, 1999.

Conclusion: We expressed an unqualified opinion* on the State-funded judicial operations' financial schedules. In addition, we expressed an unqualified opinion on the State-funded judicial operations' supplemental financial schedules, including the schedule of expenditures of federal awards, in relation to the financial schedules taken as a whole.

Audit Objective: To assess and report on the State-funded judicial operations' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial schedules, and on internal control* over financial reporting, based on our audit of the financial schedules.

Conclusion: Our assessment of compliance did not disclose any instances of noncompliance that could have a direct and material effect on the financial schedules. Also, our assessment of internal control over financial reporting did not disclose any material weaknesses*.

Audit Objective: To assess and report on the State-funded judicial operations' compliance with requirements applicable to each major federal program and on internal control over compliance in accordance with OMB Circular A-133.

Conclusion: We issued an unqualified opinion on the State-funded judicial operations' compliance with requirements applicable to all major federal programs except Temporary Assistance for Needy Families, for which we issued an adverse opinion*. Our assessment disclosed an instance of noncompliance related to Foster Care Review Board activities that is required to be reported under OMB Circular A-133 (Finding 1). However, our assessment of internal control over compliance applicable to each major federal program did not disclose any material weaknesses.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the State-funded judicial operations for the

period October 1, 1998 through September 30, 2000. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

**AGENCY RESPONSE
AND PRIOR AUDIT
FOLLOW-UP**

Our audit report contains one finding and recommendation. The State-funded judicial operations' corrective action plan indicates that the Judiciary agrees with the finding and has complied with the recommendation.

As disclosed in the State-funded judicial operations' summary schedule of prior audit findings, the Judiciary fully corrected all 6 prior Single Audit findings.