

EXECUTIVE DIGEST

DEPARTMENT OF MANAGEMENT AND BUDGET

INTRODUCTION

This report contains the results of our financial audit*, including the provisions of the Single Audit* Act, of the Department of Management and Budget (DMB) for the period October 1, 1998 through September 30, 2000.

AUDIT PURPOSE

This financial audit of DMB 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

DMB has two separate and distinct components overseen by the DMB director and the State budget director, who are appointed by the Governor.

DMB is responsible for providing centralized Statewide services to other departments. The DMB director has responsibility in the areas of procurement, management services, and information technology services. The State budget director has responsibility in the areas of budget and financial management services. The following agencies provide these Statewide services: Offices of the State Budget, Financial Management, Design and Construction, Retirement Services, Support Services, Purchasing, Project Management, Michigan Information

Network, and Information Technology Solutions; Computing Services; Telecommunications Services; Property Services; Vehicle and Travel Services; Michigan Administrative Information Network; and Michigan Information Center. DMB recoups a portion of these services through charges to user departments.

DMB also administers the Advance Financing Funds (AFF). AFF reflects the activities of two subfunds: the State Building Authority Advance Financing Fund (SBAAFF) and the Site Preparation Economic Development Fund (SPEDF). SBAAFF was created to account for expenditures incurred for equipment, higher education, and State projects prior to the issuance of State Building Authority bonds. SPEDF was created by Act 265, P.A. 1999, to account for expenditures incurred to prepare and sell State-owned sites declared as surplus that would provide economic benefit to the area or the State.

For fiscal years 1999-2000 and 1998-99, the Office of Administrative Services managed all federal programs within DMB.

As of September 30, 2000, DMB had 1,546 full-time equated positions. For the fiscal year ended September 30, 2000, DMB's General Fund net expenditures and operating transfers out were \$2.4 billion, of which \$1.8 billion were grants to colleges and universities. For the fiscal year ended September 30, 2000, AFF expenditures were \$80.2 million.

**AUDIT OBJECTIVES
AND CONCLUSIONS**

Audit Objective: To audit DMB's financial schedules and its AFF financial statements and to examine the supplemental financial schedules, including the schedule of expenditures of federal awards, in relation to DMB's financial schedules and financial statements as of and for

the fiscal years ended September 30, 2000 and September 30, 1999.

Conclusion: We expressed an unqualified opinion* on DMB's financial schedules and the AFF financial statements. In addition, we expressed an unqualified opinion on DMB's supplemental financial schedules, including the schedule of expenditures of federal awards, in relation to the financial schedules and financial statements taken as a whole.

Audit Objective: To assess and report on DMB's 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/or financial statements, and on its internal control* over financial reporting, based on our audit of the financial schedules and financial statements.

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

In addition, our assessment indicated that DMB was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1487 of the *Michigan Compiled Laws* pertaining to its systems of internal accounting and administrative control.

Audit Objective: To assess and report on DMB's compliance with requirements applicable to each major

federal program and on its internal control over compliance in accordance with OMB Circular A-133.

Conclusion: We issued an unqualified opinion on DMB's compliance with requirements applicable to each major federal program. Also, 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 General Fund operations and the financial and other records of the Advance Financing Funds of the Department of Management and Budget 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.

The scope of this audit did not include the separate funds administered by DMB that did not administer any federal programs. Those funds, which are audited separately and included in other audit reports, include: the State Building Authority, Motor Transport Fund, Office Services Revolving Fund, Information Technology and Energy Fund, Risk Management Fund, State Sponsored Group Insurance Fund, and the retirement funds administered by the Office of Retirement Services.

PRIOR AUDIT
FOLLOW-UP

As disclosed in DMB's summary schedule of prior audit findings, DMB fully corrected 2 and partially corrected 1 of

the 4 prior Single Audit findings. One prior audit finding is no longer applicable to DMB because the federal programs identified in the finding were transferred to the Department of Community Health by Executive Order No. 1997-5.