

## EXECUTIVE DIGEST

# MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

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### INTRODUCTION

This report contains the results of our financial audit\* of the Michigan Economic Development Corporation (MEDC) for the period October 1, 1999 through September 30, 2000 and the results of our audit of the provisions of the Single Audit\* Act for MEDC for the period October 1, 1998 through September 30, 2000.

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### AUDIT PURPOSE

This financial audit of MEDC 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*.

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### BACKGROUND

Article VII, Section 28 of the State Constitution and Act 7, P.A. 1967, provided for the creation of MEDC as a public body corporate. MEDC was created as of April 5, 1999 by a 10-year contract (interlocal agreement) between a participating local economic development corporation formed under Act 338, P.A. 1974, as amended, and the Michigan Strategic Fund. MEDC is a separate legal entity whose purpose is to stimulate, coordinate, and advance

economic development in the State. Under the terms of the agreement, the governance of MEDC resides in an executive committee of 17 members appointed to eight-year, staggered terms by the Governor.

As of September 30, 2000, MEDC had 26 corporation employees and 326 employees who were detailed\* from the Michigan Strategic Fund.

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AUDIT OBJECTIVES  
AND CONCLUSIONS

**Audit Objective:** To audit MEDC's financial statements and to examine the schedule of expenditures of federal awards in relation to MEDC's financial statements as of and for the fiscal year ended September 30, 2000 and the six-month period ended September 30, 1999.

**Conclusion:** We expressed an unqualified opinion\* on MEDC's financial statements. In addition, we expressed an unqualified opinion on MEDC's schedule of expenditures of federal awards in relation to the financial statements taken as a whole.

**Audit Objective:** To assess and report on MEDC's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial statements, and on its internal control\* over financial reporting, based on our audit of the 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 statements. Also, our assessment of internal control over financial reporting did not disclose any material weaknesses\*.

**In addition, our assessment indicated that MEDC 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 MEDC'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 MEDC'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. However, we identified a reportable condition\* related to subrecipient monitoring (Finding 1).

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**AUDIT SCOPE**

Our audit scope was to examine the financial and other records of the Michigan Economic Development Corporation for the period October 1, 1999 through September 30, 2000. We also examined the financial and other records related to the federal programs 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.

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ENTITY RESPONSES  
AND PRIOR AUDIT  
FOLLOW-UP

Our audit report contains 1 finding and 1 corresponding recommendation. MEDC's corrective action plan indicates that it agrees with the recommendation.

As disclosed in MEDC's summary schedule of prior audit findings, MEDC fully corrected the one prior audit finding.