

EXECUTIVE DIGEST

DEPARTMENT OF TREASURY

INTRODUCTION

This report contains the results of our financial audit* , including the provisions of the Single Audit Act, of the Department of Treasury for the period October 1, 1997 through September 30, 1999.

AUDIT PURPOSE

This financial audit of the Department 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 Department of Treasury was created by the Executive Organization Act of 1965 (Section 16.175 of the *Michigan Compiled Laws*) and is one of the principal departments of State government.

The State Constitution provides for a State Treasurer in Article 5, Section 3. The Governor appoints the State Treasurer with the advice and consent of the Senate. Under the direction of the State Treasurer, the Department of Treasury is responsible for collecting, investing, and disbursing State funds. The Department administers the major tax laws, administers the audits of county and

municipal financial records, cares for abandoned property through escheat, and safeguards the credit of the State and its local governments.

The Department had 1,485 employees as of September 30, 1999. Department expenditures and operating transfers out totaled approximately \$2.5 billion in fiscal year 1998-99.

**AUDIT OBJECTIVES
AND CONCLUSIONS**

Audit Objective: To audit the Department's financial schedules, including the schedule of expenditures of federal awards, for the fiscal years ended September 30, 1999 and September 30, 1998.

Conclusion: We expressed an unqualified opinion on the Department's financial schedules. In addition, we expressed an unqualified opinion on the Department's supplemental financial schedules, consisting of the schedule of expenditures of federal awards and the schedule of taxes by type, in relation to the financial schedules taken as a whole.

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

Conclusion: Our assessment of compliance disclosed instances of noncompliance related to internal audit that could have a direct and material effect on the financial schedules (Finding 1). However, our assessment of the Department's internal control over

financial reporting did not disclose any material weaknesses* .

In addition, our assessment indicated that the Department was in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* pertaining to its system of internal accounting and administrative control.

Audit Objective: To assess and report on the Department'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: Our assessment of compliance applicable to each major federal program did not disclose any instances of noncompliance that are required to be reported in accordance with OMB Circular A-133. 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 Department of Treasury for the period October 1, 1997 through September 30, 1999. Our audit was conducted in accordance with generally accepted auditing standards; 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 RESPONSES
AND PRIOR AUDIT
FOLLOW-UP**

Our audit report contains 1 finding and 3 corresponding recommendations. The Department's corrective action plan indicates that the Department agrees with the finding and has implemented or plans to implement the related recommendations.

As disclosed in the Department's summary schedule of prior audit findings, the Department complied with 1 of the 2 prior Single Audit* recommendations. The other prior audit recommendation is repeated in this report.