



Michigan
Office of the Auditor General
REPORT SUMMARY

*Report on Internal Control, Compliance, and
Other Matters*

Michigan Economic Development Corporation
(A Discretely Presented Component Unit of the State of Michigan)
Fiscal Year Ended September 30, 2013

Report Number:
271-0406-14M

Released:
March 2014

Generally accepted government auditing standards require an auditor to report on internal control over financial reporting; compliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the financial statements; and other matters coming to the attention of the auditor during the completion of a financial audit. This report is being issued in conjunction with our financial audit of the Michigan Economic Development Corporation (MEDC).

Financial Statements:

Auditor's Report Issued

We have audited MEDC's basic financial statements as of and for the fiscal year ended September 30, 2013 and have issued a separate report thereon dated January 24, 2014. We issued an unmodified opinion on MEDC's basic financial statements.

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Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered MEDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of MEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of MEDC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses; however, material weaknesses may exist that have not been identified. We did identify significant deficiencies (Findings 1 through 3). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Investment Impairment Losses

MEDC's internal control over financial reporting did not ensure that it properly recorded and reported investment

impairment losses in accordance with generally accepted accounting principles (Finding 1).

Great Plains Access Controls

MEDC had not established effective access controls over its Great Plains accounting system (Finding 2).

Salesforce Access Controls

MEDC had not established effective access controls over its Salesforce customer relationship management system (Finding 3).

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Noncompliance and Other Matters

Material to the Financial Statements

We did not identify any instances of noncompliance or other matters applicable to the basic financial statements that are required to be reported under *Government Auditing Standards*.

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Agency Response:

This report contains 3 findings and 3 corresponding recommendations. MEDC's preliminary response indicates that it agrees with all of the recommendations.

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Background:

Article VII, Section 28 of the Michigan Constitution and Act 7, P.A. 1967, provided for the creation of MEDC as a public body corporate. MEDC was created in April 1999 by a 10-year contract (interlocal agreement, as amended) between a participating local economic development corporation formed under Act 338, P.A. 1974, as amended, and the Michigan Strategic Fund. Article VI of the interlocal agreement provides for the automatic renewal of this initial 10-year term for two renewal periods of five years each. In April 2009, this interlocal agreement was automatically renewed for another five years. MEDC is a separate legal entity created to promote economic growth by developing strategies and providing services to create and retain good jobs and a high quality of life for Michigan residents. Under the terms of the agreement, the governance of MEDC resides in an Executive Committee of 20 members appointed to eight-year, staggered terms by the Governor.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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