

# EXECUTIVE DIGEST

## STATE ADMINISTRATIVE BOARD

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### INTRODUCTION

This report, issued in June 1998, contains the results of our performance audit\* of the State Administrative Board, Department of Management and Budget (DMB).

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### AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness\* and efficiency\* .

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### BACKGROUND

The Board was created by Act 2, P.A. 1921 (Sections 17.1 - 17.501 of the *Michigan Compiled Laws*). The statutory members of the Board are the Governor, Lieutenant Governor, Secretary of State, Attorney General, Superintendent of Public Instruction, and State Treasurer.

The Board is empowered to adopt rules and regulations governing its procedures for the conduct of its business. The Board has authority to exercise general supervisory control over the functions and activities of all administrative departments, boards, commissions, and officers of the State.

Traditionally, the Board has conducted many of its review functions through standing committees which make recommendations to the Board by formal reports. The three active committees are: Finance and Claims, Building, and Transportation and Natural Resources.

The Board has no direct employees. DMB provides clerical, management, and other general services to the Board.

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**AUDIT OBJECTIVES  
AND CONCLUSIONS**

**Audit Objective:** To assess the effectiveness and efficiency of the Board's general supervisory control over the functions and activities of all departments, boards, commissions, and officers of the State.

**Conclusion:** The Board was generally effective and efficient in providing general supervisory control over the functions and activities of all departments, boards, commissions, and officers of the State. However, we noted a reportable condition\* related to minor claims against the State (Finding 1).

**Audit Objective:** To assess the Board's compliance with applicable statutes, the *Michigan Administrative Code*, State procedures, and departmental policies and procedures.

**Conclusion:** The Board complied with applicable statutes, the *Michigan Administrative Code*, State procedures, and departmental policies and procedures.

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**AUDIT SCOPE AND  
METHODOLOGY**

Our audit scope was to examine the records of the State Administrative Board. Our audit was conducted in accordance with *Government Auditing Standards* issued

by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our audit methodology included an examination of the Board's minutes, records, and activities for the period October 1, 1995 through November 30, 1997.

We performed a preliminary survey to obtain an understanding of the Board's internal control structure\* as it pertains to the effectiveness and efficiency of the Board's general supervisory control over the functions and activities of all departments, boards, commissions, and officers of the State. We identified and reviewed the significant internal controls.

We interviewed persons associated with the Board. We examined relevant State statutes, rules, regulations, and procedures. We also examined the Board's minutes, committee minutes, approved resolutions, and policies and procedures.

We reviewed contracts and claims processed by the Board for calendar years 1996 and 1997. In addition, we documented the procedures involved in processing contracts and small claims against the State.

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

Our audit report includes one finding and one corresponding recommendation. DMB's preliminary response indicated that it will comply with the recommendation.

The Board complied with the two prior audit recommendations.