

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, 1995 through September 30, 1997.

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 of 1984 and the federal Office of Management and Budget Circular A-128, *Audits of State and Local Governments*.

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 property and its local governments.

The Department had 1,423 employees as of September 30, 1997. Department expenditures and operating transfers out totaled approximately \$2.3 billion in fiscal year 1996-97.

**AUDIT OBJECTIVES
AND CONCLUSIONS**

Audit Objective: To assess the adequacy of the Department's internal control structure*, including applicable administrative controls related to the management of federal financial assistance programs.

Conclusion: Our assessment of the Department's internal control structure did not disclose any material weaknesses*. However, we did identify reportable conditions* relating to the internal auditor and cash management (Findings 1 and 2).

Also, 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 systems of internal accounting and administrative control.

Audit Objective: To assess the Department's compliance with both State and federal laws and regulations that could have a material effect on either the Department's financial schedules or any of its major federal financial assistance programs.

Conclusion: Our assessment did not disclose any noncompliance with laws and regulations that could have a material effect on the Department's financial schedules or any of its major federal financial assistance programs.

Audit Objective: To audit the Department's financial schedules for the fiscal years ended September 30, 1997 and September 30, 1996.

Conclusion: We expressed an unqualified opinion on the financial schedules for the fiscal years ended September 30, 1997 and September 30, 1996.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Department of Treasury for the period October 1, 1995 through September 30, 1997. Our audit was conducted in accordance with generally accepted auditing standards and *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 objective for the assessment of the internal control structure included an evaluation of the Department's implementation of the requirements for establishing and maintaining systems of internal accounting and administrative control, as set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws*.

AGENCY RESPONSES
AND PRIOR AUDIT
FOLLOW-UP

Our report includes 2 findings and 2 recommendations. The Department's preliminary response indicated that it agrees with 1 of the findings and has complied with the related recommendation. The Department disagrees with the other finding.

The Department had complied with all 3 of the prior audit recommendations included within the scope of our current audit.